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Croats accused of blocking EU plan to reunite Mostar

German diplomat Michael Steiner, a senior envoy to Bosnia, said Bosnian Croat extremism was threatening to wreck the European Union's efforts to reunite the city of Mostar, an important step in reuniting the country. He urged Croatian President Franjo Tudjman to act against the extreme nationalists and warned that UN police, backed by Nato forces, would be deployed in the city if necessary. Page 2; Serbs hire British PR strategist, Page 16

Irish see little gain in joining Emu: Dublin's finance ministry said Ireland's participation in European economic and monetary union would produce only modest gains in output, employment and trade even if the UK, Ireland's main trading partner, joined as well. Page 16; Leaders and laggards in regional aid stakes, Page 2

Bass and Carlsberg merger stalls: Attempts to avoid a referral to the UK's Monopolies and Mergers Commission are holding up a merger of the UK brewing interests of Bass and Danish brewer, Carlsberg. Page 17

G7 fails to reach gold sale deal: The Group of Seven leading industrial countries again failed to agree on the sale of part of the International Monetary Fund's gold reserves to finance debt relief for poor countries. Page 4

Buyer sought for Banco de Napoli: Rome is attempting to find a buyer for one of Italy's largest banks, Banco di Napoli, by the end of this year to head off European Commission objections to a planned L2,000bn ($1.3bn) cash injection. Page 17

Spain moves to calm budget fears: Spain moved to reassure international markets that the country remained on track for European monetary union after news of a budget overshoot of Pta523bn ($4.2bn) by the former Socialist government. Page 2

SBC Warburg, the investment bank created by Swiss Bank Corporation's acquisition of SG Warburg, has lost nearly a third of its largest UK corporate finance clients since the takeover. Page 17

Turkish hunger strikers critical: About 20 Turkish prisoners are in intensive care and several could die after a 69-day hunger strike which ended at the weekend after the government agreed to many of their demands. Page 2

Envoys to rule on N-test ban: Envoys at a 61-member United Nations disarmament conference are expected to say whether they will back a draft nuclear test ban treaty after talks ended last month without agreement. Page 3;
Editorial Comment, Page 15

Algeria tries cartoonist: The trial of an Algerian newspaper cartoonist accused of denigrating the Algerian flag is due to begin today, after he spent the past three weeks in a top-security Algiers prison. Page 3

Venezuela's debt falls: Work to reduce Venezuela's $32.6bn public debt is making progress after the implementation of an economic plan backed by the International Monetary Fund. Page 4

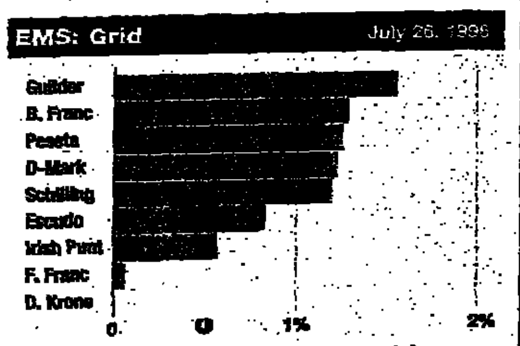
Cricket: England ended the fourth day of the first Test against Pakistan at Lord's, London, on 71 for one in their second innings, chasing 408 to win.

Berger misses out as engine blows up

Austria's Gerhard Berger rides back to the pits with Benetton team-mate Jean Alesi in the German grand prix at Hockenheim. The engine in Berger's car blew with three laps to go, handing victory to Britain's Damon Hill in a Williams-Renault, with Frenchman Alesi second and Canada's Jacques Villeneuve, also in a Williams, third.

European Monetary System: In a week marked by the Bundesbank's decision to leave the repo rate at 3.3 per cent, the guilder climbed one place to top the EMS grid, while the peseta fell two places. The spread between strongest and weakest currencies was little changed. Currencies, Page 23

EMS: Grid July 26, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Clinton pledges fresh action against terrorists

By Patti Waldmeir in Washington and Peter Aspden in Atlanta

President Bill Clinton yesterday vowed a new offensive against terrorism, after the weekend bomb blast which cast a pall over the Olympic Games in Atlanta and heightened Americans' fears of terrorist attacks.

FBI agents and police hunting for a white American male in connection with Saturday's bomb said they were making good progress with some "promising leads".

Spectators in Atlanta refused to be deterred by the bomb at the Centennial Olympic Park, returning to sports events in large numbers amid a heavy show of security by local law enforcement. The bomb, which exploded during a rock concert in the early hours of Saturday morning, killed one person and injured more than 100. Fifteen people were still in hospital yesterday, three of them in critical condition.

Addressing a convention of veterans in New Orleans, Mr Clinton said: "Terrorism is a problem that knows no boundaries. No place is safe when any place is vulnerable to terrorism."

Mr Clinton added that he had summoned Congressional leaders and law enforcement officials to a White House summit on the issue later today.

He would also call for tougher action when ministers from the Group of Seven industrial nations and Russia meet tomorrow for a pre-arranged meeting to look at practical measures to combat terrorism.

"It may be the most significant security challenge of the 21st century," he said.

Saturday's bomb sparked a rush of copycat bomb threats both in Atlanta and throughout the country. In the Olympic capital, police responded to dozens of reports of suspicious packages in the hours following the blast, evacuating several venues and blowing up a duffel bag found to contain a clothes iron. A bomb threat in Washington DC closed a train station, while in Washington state a ferry was stopped from operating.

The White House said investigators were pursuing "a number of leads". Mr Leon Panetta, White House chief of staff, said police had no specific suspect, but the investigators were assuming that the bomber was a domestic terrorist, possibly a member of a rightwing militia group.

Investigators at first said the rudimentary nature of the explosive device – three pipe bombs laced with nails and screws – led them to believe the bomber was an amateur. But they later said the timing device used was relatively sophisticated. A police spokesman said they were looking for a man who placed a call to the emergency service warning of the bomb. They said the caller was a white American man with no discernible accent. Saturday's bomb added to a growing sense of vulnerability among Americans. Concern has deepened as

Continued on Page 16
Home-grown terror, Page 4

EU nations underspend on regional aid by $24bn

States withhold funds to meet Maastricht targets

By Lionel Barber in Brussels

The European Union is massively underspending on its poor regions aid budget because governments are holding back matching funds in an effort to meet targets for economic and monetary union next year.

A European Commission report reveals a mountain of untapped credits that has risen from Ecu15bn ($18bn) in 1993 to more than Ecu20bn this year – almost as much as the entire annual budget for regional aid.

The slow take-up of Brussels money reflects a new budget austerity in member states, particularly in Belgium, France and Germany. The problem of them of claiming from the fund is that they would have to match any amounts they receive with contributions from their own budgets.

Regional aid - or structural funds - is the second most important chunk of the EU budget and accounts for around Ecu25bn a year. The money is used for co-financing roads, modernising fishing fleets, bolstering declining rural regions, and on measures to fight long-term unemployment through the so-called Social Fund.

The survey shows that southern member states such as Greece, Portugal, and Spain are far better at winning approval for structural funding than their northern counterparts.

The notable exception is Italy, which accounts for almost a quarter of committed but unspent aid. Italy still holds claim to Ecu758m which was approved between 1986 and 1989, according to the Commission.

The biggest portion of EU spending goes on the common agricultural policy which, paradoxically, also showed an Ecu9bn underspend last year. The shortfall was due to cuts in production and a corresponding fall in support to farmers.

A senior Commission official said the accumulated figure of Ecu20bn was artificially inflated because it included Ecu14bn in commitments made in 1994-96.

Mrs Monika Wulf-Mathies, EU regional affairs commissioner, is stepping up pressure on governments to meet their commitments. She has warned the Italian government that it must spend the 1986-89 funds by the end of next year.

She has sent the same message to other EU governments over the Ecu5.1bn which accumulated between 1989 and 1993 but remains unspent.

The scale of underspending raises questions about the 1992 deal which provided for an increase in the EU budget from 1.25 per cent of EU gross domestic product to 1.29 per cent by 1999.

It is likely to strengthen the hand of the British, Dutch, Germans and Scandinavians, who intend to take a tough line in future negotiations despite the cost pressures of enlargement to central and eastern Europe.

Leaders and laggards, Page 2
Dublin and Emu, Page 16

Indonesian police and government supporters clearing up the streets of Jakarta yesterday after troops stepped in to quell the worst political violence to hit the capital in 20 years. Report, Page 16; Indonesia restless under Suharto's tight rein, Page 3
Picture: Associated Press

Swissair gambles on inflight casinos

By William Hall in Zurich

Swissair, Switzerland's national airline, plans to give a lift to gambling's high-rollers. It has ordered an $80m inflight entertainment system which will turn its 21 long-haul jets into a fleet of flying casinos.

Swissair's first foray into gambling should be in operation by November. Other airlines are investigating the possibilities of similar ventures, but Swissair believes it is the first large carrier to announce plans for gambling on all its long-haul flights.

Passengers will be able to start gambling without leaving their seats which will contain a 9.5 inch interactive screen. They will access the system by a credit card swipe and enter the amount of money they wish to gamble.

Winnings will be credited back to their credit cards. Initially, individual losses will be limited to $100 and winnings to a maximum of $1,000. However, gamblers who find themselves on a winning streak will be able to continue to play by reswiping their credit card.

The Swiss national lottery will get a share of the winnings and players will have to be content with games such as bingo rather than poker or blackjack.

British Airways is running trials of an interactive entertainment system. It includes gambling and an expanded choice of video and other services.

BA has set a £10 limit on gambling losses and maximum amounts for winnings are set according to the price of a passengers ticket.

Virgin Atlantic also believes that gambling will form part of the next generation of inflight entertainment. But it said the technology must be proved

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Business travel, Page 10

UN environment chief under pressure not to seek new term

By Leyla Boulton, Environment Correspondent, in London

The US and the UK are putting pressure on Ms Elizabeth Dowdeswell not to seek another term as executive director of the United Nations Environment Programme. Senior US and British officials have said in interviews they would prefer a new candidate when her four-year term expires in December.

The pressure on the former Canadian environment ministry official comes as the US fights an increasingly acrimonious battle to prevent the re-election of Mr Boutros Boutros Ghali as UN secretary-general.

It is up to the UN secretary-general to nominate the head of Unep in consultation with member states. But with Mr Boutros Ghali's fate hanging in the balance, the US and the UK could have a disproportionately big say in who runs Unep for the next four years.

Ms Dowdeswell says she has not even thought about whether she would like a second term in what she describes as "a wonderful challenge". But she rejects many of the criticisms made of Unep, including the charge that its work is insufficiently focused.

Criticism of her is as much about style as substance. "We don't need a bureaucrat to head this organisation," says Ms Eileen Claussen, US assistant secretary of state for international environmental affairs. "We need someone with a strong political sense. It takes consensus-building among 150 countries to make this work."

Mr John Gummer, UK environment secretary, said: "Unep ought to be the trailblazer on the environment, yet it is confused and its messages are not clear."

Several other countries, including France, the Netherlands and Brazil, are also dissatisfied with Unep's performance. Mrs Corinne Lepage, French environment minister, says: "We are not getting everything we want from Unep."

Brazil has proposed an alternative candidate, Mr Enrique Cavalcanti, a recent chairman of the UN Commission for Sustainable Development. He would combine the advantage of a third world background with a high standing among industrialised nations which foot most of the bill for Unep's activities. With headquarters in Nairobi, Unep is the only UN organisation based in Africa.

Doubts afflict conscience, Page 3

Albania	LEK 220	Germany	DM4.00	Lithuania	Lits 15.00
Austria	Sch37	Greece	Dr400	Lux	LFr75
Bahrain	Din1.250	Hong Kong	HK$30	Malta	Lm0.65
Belgium	BFr75	Hungary	Ft250	Morocco	MDh15
Cyprus	C£1.20	Iceland	IKr250	Neth	Fl 4.25
Czech Rp	Kc60	India	Rs75	Nigeria	Naira
Denmark	DKr16	Israel	Shk7.20	Norway	NKr20.00
Egypt	E£5.00	Italy	L3200	Oman	OR1.50
Estonia	EKr 32	Japan	Y500	Pakistan	Rs40
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50
France	FFr12.00	Kuwait	Fils600	Portugal	Esc
		Lebanon	US3.00		

Qatar	QR13.00	Switz	SFr3.70
S.Arabia	SR12	Syria	S£85.00
Singapore	S$4.30	Tunisia	Din1.750
Slovak Rp	Sk65	Turkey	L90,000
S. Africa	R12.00	UAE	Dh12.00
Spain	Pta250		
Sweden	SKr20		

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Bildt deputy says small group of extremists blocking effort to reunite city

Envoy attacks Mostar's Croat 'mafiosi'

By Laura Silber in Belgrade and Bruce Clark in London

Mr Michael Steiner, a senior envoy to former Yugoslavia, yesterday attacked Croat extremism which he said was threatening to wreck the European Union's efforts to reunite the city of Mostar.

His attack on a "small group of mafiosi figures" who were wielding power in the divided city reflected mounting EU anxiety over the possible consequences of a definitive breakdown in its efforts to bring the two halves of Mostar together.

Such a failure would set a dark precedent for reuniting Bosnia, and deal a devastating blow to the credibility of the EU as a force in the region, European diplomats fear.

Mr Steiner, a German diplomat who is deputy to the international mediator Mr Carl Bildt, accused hardline Croat "godfathers" of wielding power "at the expense of Croat and Bosniak [Moslem] citizens alike" and said: "As long as they can influence events, it will be very difficult to get real progress in Mostar."

He called on Croatia's President Franjo Tudjman to bring to heel the extreme Croat nationalists in west Mostar - who in 1993 mounted a ruthless siege of the city's mainly Moslem eastern half.

The German diplomat said some of the Bosnian Croats who seized control of west Mostar during the 1993-1994 war against the Moslems could "appear on the list of indicted war criminals" named by the UN tribunal in The Hague.

He also warned that UN police, backed by Nato forces, would be deployed, if necessary, to ensure that the Croats abandon their boycott of the results of last month's municipal elections where the Moslems won a 21-17 seat majority.

Tensions between the two communities has highlighted the instability of the Moslem-Croat federation which forms 51 per cent of Bosnia, while the remainder is under Serb control.

Mr Kresimir Zubak, the Croat president of the federation, has accused the Moslem authorities of merely pretending to support multi-ethnic Bosnia, while masterminding the recent destruction of the last remaining Catholic church in the central Bosnian town of Bugojno.

As western policymakers prepare for the Bosnia-wide elections of September 14, which are supposed to knit the country together, there are continuing signs of tension between US and European officials - and fears that each side will blame the other for the inevitable setbacks.

Mr Richard Holbrooke, the US official who brokered the Dayton peace accords, pulled off a spectacular success when he re-emerged on the scene this month and forced Mr Radovan Karadzic, the extremist Bosnian Serb leader, to leave public office.

During Mr Holbrooke's visit, it was painfully obvious west European diplomats were being shut out of the negotiating process. Last week, Washington again took charge, arranging the landmark visit to Belgrade of Mr Ejup Ganic, Bosnia's vice-president.

Some European officials, while warmly welcoming Mr Karadzic's pledge to quit public life, are resentful of the widespread impression that Mr Holbrooke's toughness had succeeded where Mr Bildt's more low-key approach had failed.

To rub salt in the wound, the Bosnian press published part of a letter from Mr Bildt to EU foreign ministers in which he apparently drew attention to the disadvantages of reimposing sanctions on the Serbs.

The press reports did not mention the other part of the letter, which indicated that military action to apprehend Mr Karadzic would be preferable to sanctions, in the event that all efforts to force him out of office failed.

US officials, for their part, have been lavish in their praise for Mr Steiner - and no more than formally polite, at best, in their recent comments on Mr Bildt.

Leaders and laggards in EU regional aid stakes

European Commission survey provides an insight into where the money goes - or doesn't

By Lionel Barber in Brussels

Behind the raw statistics in the latest European Commission survey on regional aid spending is the question: does the EU have more money than it knows what to do with?

Such remarks are regarded as heresy in Brussels. Regional aid is the second most important spending programme behind the common agricultural policy. It has come to symbolise the political "solidarity" between the richer northern countries, the poorer south, and outlying regions.

Yet there is no denying the size of unspent funds in the structural aid budget.

In 1994 and 1995 alone, almost Ecu2bn ($2.5bn) was left untouched.

The accumulated total of Ecu20bn going back to 1986 is also a source of embarrassment, even if it is inflated artificially because it takes no account of the slow take-up at the start of the 1994-99 spending cycle.

The Commission survey looks at the four chief categories of regional aid: Objective 1 for poorer regions with income levels of 75 per cent (or less) of the EU average; Objective 2 for areas of industrial decline; Objective 5b for declining rural regions; and Objective 6 for the Arctic regions of Finland and Sweden.

A closer look at the statistics offers an insight into the politics and economics of regional aid, as well as a guide to the leaders and laggards among member states in winning approval for projects and executing them on the ground.

The star performers are Portugal and Ireland.

These countries receive additional financial support from Brussels through so-called "cohesion funds" and are past masters at winning and using EU aid.

Spain also scores highly, though its performance is slightly exaggerated because it is such a large recipient of funds and the total figure, again, includes the slow start-up in 1994-96.

The poorest performers are Italy, Belgium, Britain, France, and to a certain extent Germany and the Netherlands. Italy alone accounts for a quarter of the Ecu20bn backlog; but as with several other countries it showed an incapacity to translate Brussels' approval for projects into actual work on the ground.

Thus, in 1994/95, the Italians won Brussels commitments amounting to 69 per cent toward the planned projects; but the actual EU payments fell to 35.3 per cent as a result of delays on the Italian side. Italy has traditionally found it difficult to present suitable projects in a timely fashion to Brussels, but another reason for its poor performance is linked to the arrest of some local officials on corruption charges.

France showed a similar shortfall, with commitments of 73.8 per cent falling to actual payments of 37.9 per cent.

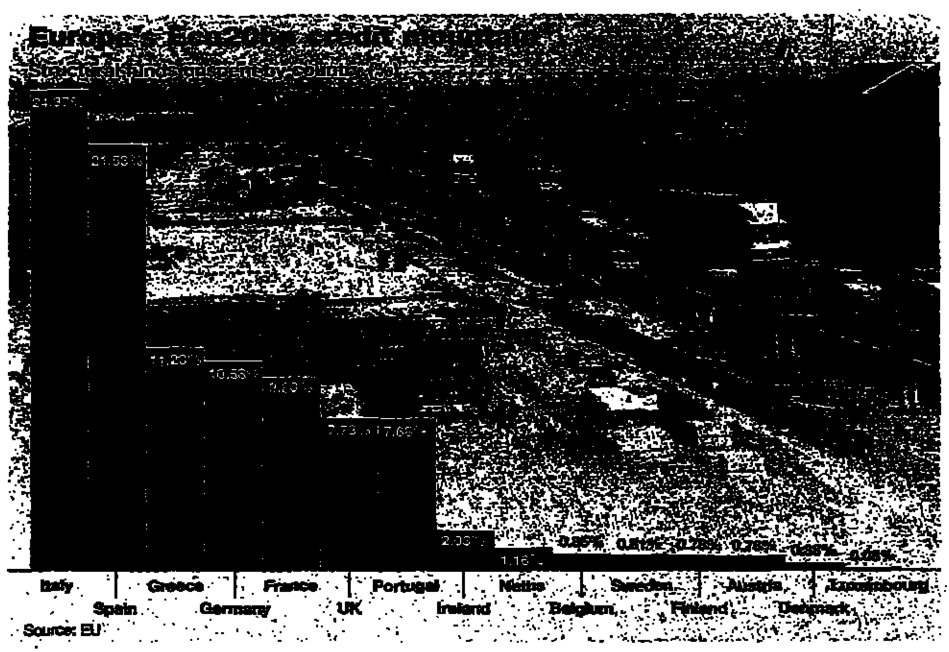
The equivalent figures in 1994/95 for the Netherlands are 59.7 per cent and 30.1 per cent. Belgium showed a fall-off from 53 per cent to 33.8 per cent. Its poor performance is attributed to the fact that it qualified for the first time for Objective 1 status in a controversial deal which encompassed parts of north-eastern France.

Officials characterise "the biggest weakness in the system" as a country's ability to carry over commitments from Brussels to future budgets. But Mrs Monika Wulf-Mathies, regional affairs commissioner, hopes to rectify this with a clean sheet starting from the end of next year.

Commission officials blame tight national budgets across the EU, chiefly because member states, particularly in the north, are reluctant to commit money to projects when they believe the savings could be used more profitably to bring down public deficits in an attempt to meet the targets for monetary union next year.

But Britain also fared badly, falling from an initial 82.4 per cent on commitments to 39.8 per cent in payments. Officials, however, also blame the British government for refusing to take advantage of EU regional aid on ideological grounds. The suspicion is that the Tory government does not want to be seen "in bed" with Brussels or encouraging future increases in regional aid.

One area stands out for criticism: the rural aid programme which is run by DG6, the farm directorate at the Commission. The take-up in this programme is so slow that it only reached 36.9 per cent in 1994/95. "The figures are catastrophic," admits one official.



Czech church property prompts unholy row

Vincent Boland reports on a contentious plan to return land confiscated by the Communists

It is very rare for the Czech Catholic Church to become embroiled in a heated political controversy. A streak of anti-clericalism in the native character and active oppression during the Communist regime have taught it to adopt a low profile.

But when the Cardinal Archbishop of Prague issues a statement denouncing "those who do not wish to remedy the crimes of communism", and a Communist party MP retorts by quoting the Bible in parliament, something more than an outburst of "cucumber season" politics is afoot.

The issue that has aroused such passions is a government proposal to return to the church 175,000 hectares of forest and other land confiscated under communism. It has become the first political row of the new parliament after last week's victory for the prime minister, Mr Václav Klaus, in a confidence motion.

The vast majority of property confiscated by the Communists after they took power in February 1948 has been returned to its original owners or their descendants since 1990.

The Catholic Church has been a beneficiary of this windfall: monasteries, schools and residences are among the property already returned.

The big outstanding claim is the church's demand for its land to be returned. This has been resisted up to now by the Czech Republic's avowedly secular politicians, aware that transferring such vast tracts may not be popular with the public.

The new proposal is an initiative of the Christian Democrats (KDU), a junior partner in Mr Klaus's minority government. The KDU made restitution a condition of its support for Mr Klaus and succeeded in having the measure implemented by decree. This treats the restitution as a privatisation, which it essentially is. In return, the government will phase out state subsidies to the church.

The opposition Social Democrats and Communists have objected, claiming that the property is public and that its restitution is tantamount to giving the church an "economic empire". But on Friday they failed for a second time to block the measure in parliament, potentially clearing the way for the restitution to proceed. Not even the citing of a biblical reference to the church's vow of poverty by Communist MP Mr Miloslav Ransdorf could sway the house, and in any case the Czech Catholic Church is not wealthy today.

In an attempt to drum up support among a sceptical Czech public, Cardinal Miloslav Vlk attacked opposition to the restitution in an unusually strongly worded statement. "Anyone who argues that church property which is currently in the hands of the state is public property is not speaking the truth, is using the demogogic and populist tricks which the previous regime used to stupefy us for 40 years," he said.

Not all the opposition to the measure is political or anti-clerical. Commentators have pointed out that a lot of Czech forests are heavily polluted. Only the state could afford to regenerate them, they said, and the church's record as a landowner was not admirable.

Until this century the church was one of the biggest landowners in Bohemia and Moravia. Mr Miloslav Fiala, its spokesman, said that from the reign of King Charles IV in the second half of the 14th century the church owned about a third of all forests in the provinces. Much of it belonged to monasteries endowed by rich merchants.

This considerable heritage was retained throughout the Habsburg era, with which the church was closely identified. Bishops spoke German rather than Czech, putting them at one remove from their congregation and gradually alienating them.

The backlash set in during the First Republic between the two world wars, when resentment at the imperial role of the church was reflected in growing official hostility. By the second world war its land holdings had been reduced to the 175,000 hectares now subject to the restitution order, representing about 7 per cent of all forests in the Czech Republic.

In the view of one Churchman, restitution could cause economic problems for the church because it would not produce enough income to replace the subsidies, amounting to some Kč100m ($3.5m) a year. Church officials estimate that income from the forests would amount to only Kč50m a year.

Although the opposition failed to block the restitution, it may try again. In the meantime it has said it will put forward proposals for the complete separation of church and state, which may finally end the rows that have dogged relations since the Velvet Revolution.


The future of Prague's St Vitus cathedral is enmeshed in a tangled legal web Kester Eddy

Church and state have already clashed over the ownership of St Vitus cathedral, spiritual home to the Czech Catholic community. They may do so again when an appeal case wending its way through the nation's legal system is finally heard, writes Vincent Boland.

Dating from the 14th century but only completed in the 20th, the cathedral is in the grounds of Prague Castle. Ownership was originally vested in the Canons of St Vitus, an ancient Church body. Then, in 1954, the Communist regime effectively nationalised it, entrusting it to the president's office.

After the Velvet Revolution a petition was launched by Catholics to have the cathedral returned to the church. This is being resisted in the courts by government lawyers.

The outcome is important both for the church, trying to reassert itself, and for a young and insecure state seeking fixed points in the cultural landscape after communism and the split with Slovakia.

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Turkish hunger strike called off as government caves in

By John Barham in Ankara

Hundreds of Turkish hunger strikers called off their protest at the weekend, after forcing the government to accept many of their demands.

Twelve leftwing militants died last week as the 69-day hunger strike reached its climax. More deaths could follow, as about 20 protesters, now in intensive care, are very weak.

The new Islamist-led government was clearly relieved with the negotiated end to its gravest domestic policy crisis. However, Turkish media criticised its "indecisive" handling of the crisis and said it had brought shame on the country by attracting more international criticism of Turkey's human rights record.

The hunger strike ended after the government allowed a group of MPs, leftwing writers and musicians to enter Istanbul's huge Bayrampaşa prison to meet prisoners and negotiate an end to the hunger strike. Agreement followed a government threat on Friday to storm the larger prisons, which it claimed had become no-go zones.

The government agreed to a key demand by promising to transfer 102 inmates to prisons in Istanbul. Militants also demanded improved prison conditions and the right to serve their sentences near their home towns, or, in the case of remand prisoners, to be held near the town where they were being tried.

The hunger strike began in May after the government claimed prisoners at Bayrampaşa and Umraniye controlled their blocks and used cellular phones and faxes to plan terrorist operations outside the prisons. Mr Şvket Kazan, justice minister, even said that militants had smuggled arms into the prisons.

Although human rights campaigners are pleased the hunger strike has ended, they doubt it signifies progress in Turkey's attitude to human rights. Mr Yavuz Onem, head of Turkey's Human Rights Foundation, said: "This is a defeat for the government but I do not believe there will be an improvement in human rights. The power of the police is stronger than before." He added: "This government has no positive political will and no power."

Campaigners say violations have escalated, after a noticeable improvement last year, when the European Union linked progress in human rights to ratification of a customs union with Turkey. They add that little improvement can be expected until the 12-year war between Kurdish separatists and security forces ends. More than 20,000 civilians, soldiers and guerrillas have died in the fighting in southeastern Turkey.

Not only is the region the scene of most violations, but the war has strengthened the powerful security establishment and justified the stifling of dissent. About 15 per cent of the 8,300 prison population is held under Turkey's tough anti-terrorism laws.

INTERNATIONAL NEWS DIGEST

Madrid tries to calm nerves

Spain's new centre-right government strove over the weekend to reassure the international markets that the country remained on track for European monetary union, after news of budget overshoots by the former Socialist government penalised the peseta and domestic bonds late on Friday.

The government, which took office in May, intends to raise taxes on tobacco and alcohol by 3.4 per cent this week to meet the cost of extra borrowing totalling Pta523bn ($4.2bn). Late on Friday, the peseta dipped to its lowest level against the D-Mark since December and the spread for the 10-year bonds, which had narrowed significantly following the formation of the Popular party government, widened.

Officials said the decision to take unpopular decisions such as raising taxes to deal swiftly with the spending accumulated by the outgoing administration signalled the government's commitment to improve public finances ahead of Europe's single currency. *Tom Burns, Madrid*

No extension of EU duty-free

The European Commission will announce today that it has accepted a report recommending no extension of duty-free sales on journeys between EU states beyond June 1999.

Union finance ministers voted unanimously in 1992 to abolish duty-free sales on intra-EU journeys, in line with the principles of the European single market. But they granted a six-year extension of the duty-free concession after creation of the single market in 1993, to give EU states time to prepare. They asked the Commission for a progress report half-way through that period.

Travel operators and retailers have lobbied vigorously for a further extension, arguing that the $6bn-a-year trade creates jobs and reduces travel prices. But Mr Mario Monti, single market commissioner, sees no case for a further extension. His report is highly critical of duty-free operators for failing to enforce limits on the amounts of duty-free goods passengers can buy, and expresses concern at the apparent lack of progress in preparations for ending duty-free sales.

The report will go to EU ministers and the European Parliament for discussion. It does not affect duty-free sales on journeys to countries outside the EU. *Neil Buckley, Brussels*

Call for Liberia elections

The Economic Community of West African States agreed at the weekend that elections should be held in Liberia within nine months, and that sanctions proposals should be drawn up against warlords. The news was given by Mr Mohammed Ibn Chambas, Ghana's deputy foreign minister. However, the official statement at the end of the two-day annual summit in the Nigerian capital, Abuja, made no mention of either sanctions or elections.

The bloody six-year war in Liberia has menaced the entire region with instability and an Ecowas peacekeeping force was sent in 1990. More than a dozen accords between rival ethnically based militias have failed to end the fighting, while the cost of maintaining the 10,000-strong force has mounted.

Rival Liberian leaders were split yesterday on the elections plan. The main sticking point has been how to disarm an estimated 60,000 combatants before some kind of elections are held. *Reuter, Abuja*

Japanese pledge to Vietnam

Japan's foreign minister, Mr Yukihiko Ikeda, yesterday wrapped up a two-day visit to Vietnam by promising support for the country's entry into the Asia Pacific Economic Co-operation (Apec) forum and the World Trade Organisation. Vietnam has asked Apec to lift a moratorium on new members or grant a special exception now that it has become a member of the Association of South East Asian Nations (Asean).

Mr Ikeda also promised technical assistance for Vietnam to meet the requirements for joining the WTO.

During his visit, he held talks with the Communist party general secretary, Mr Do Muoi, and the deputy prime minister, Mr Tran Duc Luong. He also witnessed the signing of several agreements, including a $32.5m grant to rebuild bridges in northern Vietnam.

Japanese aid to Vietnam tops $600m a year. It is also the largest trading partner and among the top investors in the country. *AFP, Hanoi*

Chechen talks on prisoners

Russian and Chechen officials met face-to-face at the weekend for the first time since the fragile ceasefire in the war-torn republic collapsed earlier this month. A representative of Chechen separatist fighters and a senior Russian officer discussed an exchange of prisoners. A diplomat from the Organisation for Security and Co-operation in Europe, which has been arranging the negotiations, said he hoped rival military commanders would meet this week.

However, this delicate rapprochement was overshadowed by fighting in the region, where serious clashes resumed just days after President Boris Yeltsin's July 3 election victory. Yesterday, Russian helicopter gunships and artillery continued to bombard Chechen mountain villages which they suspect of sheltering separatist fighters.

Hostilities between Russian soldiers and Chechen civilians have also intensified as the Russian military has resumed a more aggressive attitude to the local people. Civilian anti-war demonstrations in Grozny, the devastated Chechen capital, were broken up over the weekend by soldiers, who fired over the heads of unarmed protesters. *Chrystia Freeland, Moscow*

South Koreans die in floods

At least 53 people have died in three days of heavy rain and floods in South Korea. Another 18 are missing. Most of the dead were soldiers manning defence positions in mountainous terrain along the North Korean border.

The military casualties occurred after landslides caused by the rains buried barracks at two military camps near the demilitarised zone that separates North and South Korea. Several guard posts were also swept away.

The floods have also left 31,000 people homeless and caused an estimated Won6.3bn ($8m) damage. *John Burton, Seoul*

Summit planned on Burundi

African leaders called a summit over the coup in Burundi as talks continued yesterday on the fate of its deposed Hutu leaders. In Kampala, the presidents of Tanzania and Uganda, Mr Benjamin Mkapa and Mr Yoweri Museveni, "strongly condemned and rejected" last week's army-backed bloodless coup. They announced that a regional summit would be held on Wednesday in Arusha, northern Tanzania.

Ugandan government officials said Tanzania, Uganda, Rwanda, Burundi, Zaire, Kenya and Ethiopia would take part in the summit. *Agencies, Bujumbura*

Algeria press in crossfire as trial opens

By Roula Khalaf in London

Journalists from Algeria's French language daily La Tribune stand trial today accused of denigrating the Algerian flag in a cartoon, an offence under Algerian law. The cartoonist, who compared the flag to dirty linen, has spent the last three weeks in a top-security Algiers prison.

The Algerian regime's suspension of the newspaper and the jailing of the cartoonist are among the harshest measures taken towards the independent press in recent years. Journalists in Algiers say they are an over-reaction by authorities to built-up irritation with La Tribune's reporting, a claim Algerian officials deny.

The Tribune case has generated outrage from international human rights groups as well as local opposition leaders, some of whom took up the issue in recent meetings with President Liamine Zeroual. The talks were aimed at convincing sceptical opposition leaders that the president's plans to reshape Algerian politics were aimed at promoting democratic institutions.

Algerian newspapers have traditionally enjoyed a certain amount of freedom compared with the press in the rest of the Arab world. Since 1992, however, they have been caught in the crossfire between Islamic extremists, who hunt them down because they see them as the embodiment of a system they despise, and a government that uses them to fight its campaign against Islamists. Since the eruption of civil strife in Algeria in 1992, more than 40,000 people have died, including over 50 journalists.

Last year newspapers were encouraged to splash across their pages gruesome pictures of violence against civilians to emphasise the danger posed by Islamists. Today, the aim is to project the image of a return to stability. Thus newspapers can face suspension if they report on attacks not confirmed by the government.

As if violence and muzzling by the government were not enough pressure, independent newspapers have been battling for economic survival this year after the Algerian government decided to extend free market reforms to the media.

Algeria embarked on a programme of economic liberalisation in 1994 and the government has now lifted subsidies paid to printing plants and liberalised the price of newspapers.

The independent press relies so heavily on the state that even office rent is subsidised by the government.

But publishers have balked at the prospect of paying more for printing costs. Printing plants are all state-owned, overstaffed and so poor at bargaining that they pay exorbitant prices for paper. Moreover, while asking independent publishers to pay the full price for printing, money-losing state-owned newspapers which use the same presses are given a free ride.

Compensating for the increase in printing costs by raising the sale price of their newspapers is not much of an option. At a time when economic reforms have eroded purchasing power, the move could kill many titles.

Nor can publishers hope to increase advertising revenue. With up to 80 per cent of advertising derived from government enterprises and channelled through a single government agency, publishers say winning more advertising depends more on how pleased the government is with what a newspaper prints than on the publisher's marketing skills.

"There is talk of applying the free market to the press but the reality is different," says the editor of a leading paper. "No one really wants market reforms because it would mean losing the leverage the government exercises on the press."

Indonesia restless under Suharto's tight rein

Greg Earl on the discontent behind Saturday's rioting in Jakarta

Yesterday was an Islamic holiday in Moslem Indonesia and most newspapers did not publish. It was a silence welcomed by the military after Saturday's rioting, the worst for more than two decades.

There was one exception. Harian Terbit, a downmarket daily, did come out. The irony will not have been lost on the country's rulers. For Harian Terbit is part of a newspaper stable owned by Mr Harmoko, the minister for information, who as chairman of the governing Golkar party has been in the thick of the government's campaign of pressure against the opposition Indonesian Democracy Party (PDI).

This is the sort of contradiction that abounds in Indonesia, where a liberalised economy functions alongside a stagnant political system headed by President Suharto, one of the world's longest-serving leaders.

Whether this contradiction between a liberalising economy and an illiberal political leadership persists is now in question and the fallout could have a significant impact on foreign investment.

Domestic Indonesian banks suffered worst in the rioting that spread from the opposition PDI office in central Jakarta. Police raided the premises after Ms Megawati Sukarnoputri, the party's deposed leader, refused to give up office following her defeat by a government-supported candidate last month. The violence spread to a secondary commercial district causing damage valued at tens of millions of dollars.

The property damage was mostly random but it highlighted a perception of economic disparity that is the Achilles heel of Mr Suharto's effort to stay at the top of an inflexible political system.

World Bank figures show that Indonesians continue to experience strong growth in per capita income compared with other developing countries, but there is a rising public sense of much greater economic inequality.

The PDI, a motley collection of parties forced into a merger in 1973, has suddenly become a focus for this economic discontent and political frustration.

Under the leadership of Ms Megawati, daughter of Indonesia's flamboyant first president, Mr Sukarno, who was deposed by Mr Suharto 30 years ago, the PDI was threatening to embarrass Golkar at next year's national election.

Speculation over whether Mr Suharto would stand in the 1998 presidential election has been heightened in recent weeks by his sudden overseas trip for a health check.

The government determination to suppress Ms Megawati's political ambitions and quell her growing support came to a head earlier this month when it sponsored a rival to her leadership. After weeks of speculation about a takeover of the PDI office, police broke in on Saturday morning to hand it over to the new government-backed PDI chairman.

The rioting started as some police lost control of the crowds trying to join a pro-Megawati protest near the office. But while thousands watched, only hundreds were actively participating. That appeared to reflect both a reluctance to confront the government's military power and a sign that the emerging middle class is not yet ready to follow its Thai and Korean counterparts in demanding change.

Although Ms Megawati once again refused to confront Mr Suharto, it was the sight of strolling families back on the streets after Saturday's violence that would have given him most comfort.

Suharto: went abroad for health check

INTERNATIONAL PRESS REVIEW

In the red corner, Shilowa

SOUTH AFRICA

By Roger Matthews

South Africa has not had a really good political scrap for more than two years. Since the general election in April 1994 fare has been pretty thin. Mrs Winnie Mandela has been fired from the cabinet, the Inkatha Freedom party and the African National Congress have periodically snarled at each other and the National party has quit the government of national unity. But it is scarcely the blood and guts drama to which South African media had grown accustomed.

Enter Mr Sam Shilowa. Opinion is divided whether Mr Shilowa, general secretary of the Congress of South African Trade Unions (Cosatu), is the great black hope of political writers. Certainly he has enormous potential. In a week when it was not easy to grab headlines, Mr Shilowa has performed creditably.

At the start of the week he had to contend with reports that President Nelson Mandela was paying court to the widow of Samora Machel, the late president of Mozambique. The story was based on sightings of the pair holding hands and cuddling. But as the president likes to hold the hands of, and occasionally cuddle, more than a few of the ladies he meets, the speculation was difficult to sustain.

Miss Penny Heyns, whom the president will undoubtedly cuddle fairly soon, posed a much more serious challenge to Mr Shilowa. She won South Africa's first Olympic gold medal since 1952 and then added a second.

But it was not all jolly, nation-building harmony around the Olympic pool. Sitting, watching Miss Heyns' triumph were 17 of South Africa's biggest political fish, each one a minister or deputy minister. That was 40 per cent of the entire cabinet, gulped the *Financial Mail*, which feels almost as strongly about gravy trains expanding into gravy planes as it does about Mr Shilowa. Ministerial explanations for their presence, at taxpayers' expense and in one case accompanied by wife and children, were not all wholly convincing but the media's indignation had by the weekend largely evaporated.

Mr Shilowa, however, was still swimming strongly. The *Sunday Independent* yesterday devoted no fewer than six pieces to variations on a Shilowa theme. So what is it that Mr Shilowa has done that makes him so newsworthy?

First, speaking to a Communist party gathering, he questioned whether the alliance between the party, Cosatu, and the African National Congress could last much longer, given the government's shift in economic direction. He followed that up with a report on a three-day meeting of the Cosatu executive which concluded the government's economic blueprint issued last month was a recipe for disaster.

Mr Shilowa argued that the government was betraying the mass of people who supported it by opting for market-oriented policies, encouraged by such loathsome organisations as the International Monetary Fund and the World Bank. He also suggested that the government did not have the backing of the ANC rank and file, and that these policies were the product of individual ministries, in particular finance, headed by Mr Trevor Manuel.

Business Day, no great fan of the unions, thought it "right and proper" that Mr Shilowa and Cosatu should engage the government in economic debate, although it was a shame more time had not been allowed for consultation before the policy was launched. But the rand crisis dictated speed, and Business Day was unclear what the unions' alternative policies were. "Perhaps Cosatu has answers not yet discovered by anyone else in the world of economics," it scoffed.

Many of Mr Shilowa's answers were contained in a policy document issued earlier this year. He wants lots more government spending, more emphasis on housing and welfare for the poor, higher taxation of the rich and the corporately successful and no privatisation.

But although the battle lines are drawn, no one is sure the generals are ready to fight. In limited skirmishes on labour relations legislation and the new constitution Mr Shilowa has come out ahead.

Mr Manuel has warned, however, that the main pillars of his economic policies are not open to negotiation. Mr Shilowa does not believe him, nor it seems does much of the South African press. The whiff of political excitement in the air rests on the chance that both men mean what they say.

The Star's cartoonist sees Trevor Manuel as receiving little help from Sam Shilowa in lifting the economy's performance

Doubts afflict UN conscience on environment

By Leyla Boulton, Environment Correspondent

The United Nations Environment Programme (Unep) was supposed to be the world's conscience on the environment. Yet 25 years after its founding, it is adrift in remote headquarters, starved of funds and accused of weak leadership.

The US and Britain attribute a large share of the decline to Unep's executive director, Ms Elizabeth Dowdeswell, who is a Canadian former environment ministry official.

"I can't think of a time when there was a greater need for an international organisation dealing with the environment," says Ms Eileen Claussen, the US assistant secretary of state for international environmental affairs.

"But I'm not sure we have one that fits the bill."

Several other countries, including France, the Netherlands and Brazil, are also dissatisfied with Unep's performance.

Under Ms Dowdeswell's flamboyant predecessor, Mr Mustafa Tolba, an Egyptian microbiologist who ran the organisation for 17 years, Unep enjoyed a high profile but lacked an efficient organisation. Now, say the critics, it has neither.

Four years after Ms Dowdeswell took on Unep with a reform mandate, Unep is still in the throes of reorganisation and debating what its priorities should be.

"You can't talk about change for too long, you've just got to do it," said one official familiar with Unep. "Unep should just pick four or five areas and get on with them, but there's not much confidence in Dowdeswell's ability to pull that off."

While Mr Tolba's achievements included blockbuster agreements such as the 1987 Montreal protocol for phasing out ozone-depleting chemicals, Ms Dowdeswell's record is less easy to assess.

Mr Hans Alders, Unep's outgoing director for Europe, points to her progress in building on the Montreal protocol and the drawing up of guidelines regulating genetically engineered organisms in the environment.

Under Ms Dowdeswell, who has sought to work more closely with industry, Unep also co-sponsored a pledge initiated by the insurance industry to pay more attention to the environment.

A tireless globe-trotter, Ms Dowdeswell recently launched in London a "global public education programme" with Consumers International, an association of consumer groups. But it remained unclear how that effort, which has yet to find funding, would complement actions already undertaken by national governments.

Unep is in throes of reorganisation and is debating its priorities

"We feel they should limit themselves to the most important issues and activities where they have a specific forte," says Mr Michael De Leeuw, a diplomat at the Dutch embassy in Nairobi with responsibility for Unep.

As donors' dissatisfaction with Unep has mounted, it has become an easy target for budget cuts. This year, the US halved its Unep contribution from \$16m to \$8m.

The organisation's problems are compounded by difficulties related to the UN system. In a gesture of solidarity with the third world, Unep is based in Nairobi as the only UN organisation in Africa.

This is despite the fact that it has no specific business in Africa, in contrast with the United Nations High Commissioner for Refugees, based in Geneva.

There is confusion over various UN bodies' overlapping responsibilities for the environment.

Yet it is the UN system which is likely to prove the single biggest obstacle to finding the best candidate to rescue Unep from its troubles as top UN jobs are decided not by competition but by international horse-trading.

HK mobile phone licences awarded

By Louise Lucas in Hong Kong

China and Britain agreed at the weekend on the award of six new mobile phone licences for Hong Kong, ending a year-long standoff and unleashing about HK\$6bn (\$776m) in planned medium-term investment by the winning consortia.

The breakthrough signals hope for the huge backlog of issues still to be resolved by the Sino-British Joint Liaison Group (JLG), which is charged with negotiating the details of the transfer of Hong Kong's sovereignty on July 1 next year. These include nationality and extension of the port.

Talks on the mobile phone licences, seen as a test case of Hong Kong's business autonomy, were prolonged by Beijing's wish to issue fewer licences. This was inspired by industry lobbying, which circumvented the colonial government and targeted China.

Among the winners are Peoples Telephone, a consortium formed just weeks before the deadline for bids elapsed, which is led by China Resources, the mainland investment and industrial group; and Hutchison Telephone, part of Mr Li Ka-shing's business empire.

As expected, Hongkong Telecom, the territory's dominant operator and a subsidiary of Cable and Wireless of the UK, failed to clinch a licence. Analysts attributed its failure to an uncompetitive bid – it is understood to have pitched its per-minute fees at roughly double those of fellow bidders – although some say its rejection was politically motivated. Hongkong Telecom, the market leader in mobile services, said it believed its submission was highly competitive.

Mr Donald Tsang, acting governor, said: "Issue of the licences will allow the successful bidders to make investments of more than HK\$6bn in aggregate over the next few years and will lead to the creation of more than 2,500 new jobs in the telecommunications industry." But analysts and spurned industrial groups believe the consumer bonanza may not translate into a business bonanza for all six winners. An aggressive price war, led by Hutchison, broke out in the territory earlier this year, eliminating profits on handsets and reducing charges.

The other four winners are Mandarin; New World PCS, whose parent already operates a fixed line service in Hong Kong; Pacific Link, an existing mobile operator; and P-Plus, which includes Taiwanese investors.

Moment of truth for N-test pact

By Frances Williams in Geneva

Disarmament envoys are due to make clear today whether they will approve a draft nuclear test ban treaty for signing in the autumn. Negotiations ended on June 28 without agreement.

The US, Russia and Britain have already publicly backed quick approval of the draft accord compiled by Mr Jaap Ramaker, the Dutch chairman of the talks. Most other nations are expected to follow suit.

India, however, has refused to withdraw its threat to veto the pact despite intense pressure from Washington and elsewhere, most recently at last week's meeting of south-east Asian foreign ministers in Jakarta. In 1954 it was the first nation to call for a comprehensive test ban treaty, and has said it will not sign the treaty because it does not commit the five declared nuclear powers to a fixed timetable for total nuclear disarmament.

However, New Delhi could go further, and block the required consensus for the treaty to be adopted by the 61-member United Nations disarmament conference. This is because it strongly objects to the proposed requirement that India's ratification, along with that of 43 other states, be a precondition for the treaty to enter into force. It says the requirement infringes its sovereign right to decide whether to sign the pact or not.

The draft accord stipulates ratification by all countries with nuclear power installations that are also members of the disarmament conference. This includes the five official nuclear nations – the US, Russia, Britain, France and China – and the three "threshold" states of India, Pakistan and Israel. The latter, none of which has signed the Nuclear Non-Proliferation Treaty, are considered capable of making nuclear weapons.

The disarmament conference, which began negotiations on the pact in early 1994, is due to forward the treaty to the UN General Assembly ready for signing in September. If this deadline is not met, diplomats fear the opportunity to agree a comprehensive ban will be lost for many years.

Officials accompanying Mr Warren Christopher, US secretary of state, on a visit to Australia said at the weekend that they saw no possibility of changing the membership terms.

The US and many other countries would have preferred a more flexible formula that would allow the treaty to become effective without India. But Britain, Russia and China, backed by Pakistan, have insisted that all the threshold states must be included for the pact to have any meaning, even at the risk of a long wait for it to enter into force.

Mr Ramaker's draft would enable countries that had ratified to call a special conference to decide on action if the treaty was still not operational after four years. The conference could not waive the basic membership conditions, but one option, according to diplomats, might be provisional application of the treaty, especially if all five nuclear powers were on board.

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Japan spurs growth in drug sales

By Daniel Green in London

Growth in sales of prescription drugs gathered pace in April thanks to a recovery in demand in Japan, the world's second biggest market.

The increase was not enough, however, to lift growth much above half the level a year ago.

Drugs sales for the first four months of 1996 in the world's 10 biggest markets were worth \$47.1bn, according to IMS, the specialist market research organisation.

This was an increase of 6 per cent compared with a rise of 5 per cent for the first three months of the year and 11 per cent for the same period of 1995.

Sales in Japan for the first four months of 1996 were unchanged in constant currency terms at \$7.5bn.

Sales had fallen by 4 per cent in the first quarter as wholesalers destocked in anticipation of mandatory government price cuts in the spring.

The US remained easily the world's biggest single market with sales for the first four months of \$19.2bn, an increase of 6 per cent on the same period of 1995.

Europe grew faster, with sales in the top seven markets up 9 per cent to \$19.2bn.

Part of Europe's strength is due to a recovery from government price control measures imposed in 1994 and 1995.

Italy has seen the most stringent price controls until this year and sales there grew 13 per cent to \$3bn.

Since April, further drugs spending measures have been proposed by Rome.

Germany is the biggest European market, with sales of \$5.8bn, an increase of 8 per cent. France, the second biggest market, also grew 8 per cent, to \$5.2bn. The UK grew by 11 per cent to \$2.1bn.

The fastest growing of the important medical areas remain nervous system drugs, which includes Prozac, the anti-depressant made by Eli Lilly, and blood agents, which includes the relatively new class of drugs that lower cholesterol levels.

Nervous system drug sales grew 13 per cent to \$6.5bn. They are now easily the biggest class of medicines in North America, having overtaken heart and digestive system drugs.

Blood agent sales grew 17 per cent to \$2.7bn. Sales of anti-infective drugs, including antibiotics, and respiratory drugs, including asthma inhalers, remained depressed by the winter's short influenza season.

Anti-infective drug sales fell 3 per cent to \$5bn thanks largely to a 23 per cent decline in Japan. Respiratory drug sales rose 3 per cent, also to \$5bn, even though sales in Japan fell 18 per cent.

WORLD PHARMACY DRUG PURCHASES JANUARY-APRIL 1996 (US\$m)

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	UK	Spain	Canada	Belgium	[illegible]
Cardiovascular	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	383	231	129	118
Alimentary/Metabolism	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	283	189	101	[illegible]
Central Nervous System	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	224	283	113	88
Anti-infectives	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	228	91	89	41
Respiratory	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	200	119	78	98
Blood Agents	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	99	83	38	89
Genito-urinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	61	67	32	37
Others	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	325	219	115	108
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,751	1,202	690	872
% Change*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10	2	[illegible]	4

Source: IMS [illegible] *Increase excluding currencies

NEWS: THE AMERICAS

US learns to live with home-grown terror

A succession of bombings is forcing Americans to redefine attitudes. Patti Waldmeir reports

Americans have long held one truth to be self-evident: that terrorism is un-American. They have pitied the citizens of Jerusalem and Beirut and Belfast and Sarajevo, pitied them their daily fear of violent annihilation. But that just made them prouder to live in the safest and strongest nation on earth.

The spectacular terrorist bombings at the World Trade Centre in 1993 and Oklahoma City in 1995 powerfully shook that national complacency. When it became clear that the Oklahoma bomb was planted by fellow Americans, it was a further shock. Terrorism could no longer be treated as an alien threat; it had to be seen as a home-grown menace.

To judge from the comments of hundreds of ordinary Americans and politicians – aired on the national news networks – the national psyche has taken another serious hit over the past few days.

In recent weeks, the television public has seen, in rapid succession, pitiful images of domestic debris from the recent attack on US military personnel in Saudi Arabia, clothing, a styrofoam cup and a Filofax bobbing in the seas where TWA flight 800 crashed, and at the weekend, bloodied spectators at Centennial Olympic Park in Atlanta. By yesterday, CNN had put the most dramatic images together in a kind of *collage of terror*, complete with maudlin music and sombre commentary.

"It seems like every weekend, the flags are at half-mast," one ABC commentator lamented, while other networks endlessly explored the phenomenon of "another day, another bomb". One of the TV talking heads noted that President Bill Clinton seems to spend more time consoling people – from the widow of Mr Ron Brown, the former commerce secretary, to the congregations of burned black churches, to the ValuJet and TWA families – than doing almost anything else.

Shortly after the Atlanta bomb, Mr Clinton appeared in a nationally televised news conference to deplore the evil of the deed. His first thought on hearing of the bomb, he said, was for daughter Chelsea, who is attending the games, and for all the other American children who had suddenly become terrorist targets.

He clearly spoke for many Americans when he said the Atlanta attack was "directed at the spirit of our own democracy". For the Atlanta bomb is just the sort of thing that brings out the patriotism of Americans. Radio and television talk shows carried the comments of callers condemning the bomb as an assault on the American way. The right-wing Washington Times newspaper said the explosion struck at "the very core of what it means to be an American", and went on to define that quality as the fierce defence of individual freedoms coupled with a national distaste for bag searches and metal detectors, except occasionally at airports.

But yesterday there were also signs that Americans are redefining "the very core of what it means to be American" in this regard. Since the Union was formed, they have considered personal security an inalienable constitutional right, like freedom of speech. But one national television network was yesterday suggesting that Americans not just accept the new insecurity, but begin explaining it to their children as a fact of life.

"You can't tell your kids they are completely safe anymore," bemoaned an ABC anchorman, before interviewing a child psychologist from California to ascertain the best method of breaking the news that, despite a long history as one of the most violent nations on earth, one bomb has suddenly made American an unsafe place.

But the last word went to the Atlanta mayor, Bill Campbell, who said, echoing the words of the Negro spiritual, "we shall overcome." That seemed to be the prevailing mood in Atlanta at the weekend, where spectators patronised Olympic sporting events in large numbers, and where many voiced defiance. It was the overwhelming conclusion of almost every newspaper columnist and talk show host: America must be brave.

As Washington Post columnist Tony Kornheiser wrote: "We're in the same boat with the rest of the world. We're as vulnerable as them. And like them, we have to learn to live with it. And get back on the bus. And go back to the markets."

Or as President Clinton said, for the nation: "We cannot let terror win. That is not the American way."

In the wake of the Atlanta bomb, senior ministers from *the world's leading economic* nations will meet in Paris tomorrow to step up the fight against terrorism, Andrew Jack reports from Paris.

Foreign and interior ministers from the Group of Seven leading industrial countries and from Russia will debate practical and legal measures to crack down on terrorism.

Their meeting follows two days of talks earlier this *month in Paris by experts* from the countries, and was triggered by a resolution at the G7 summit in Lyons at the end of June.

Among the propositions to be discussed is a new United Nations declaration stressing that terrorist acts are against UN principles. The aim would be to tighten asylum-seeking laws to prevent perpetrators protecting themselves from prosecution.

The *ministers are also* calling for the recognition of a network of "centres of excellence" designed to identify specialists in each country to help in the fight against terrorism, as well as a resolution to strengthen member nations' resolve to fight terrorism.

President Bill Clinton of the US pushed to ensure that terrorism was an important item at the G7 meeting in the wake of the attack on US troops in Saudi Arabia.

Other countries under the shadow of terrorism include Russia, which has suffered from a series of attacks on its Moscow metro system and France, which is still investigating links between Islamic fundamentalists and a series of bombings in Paris and other cities last autumn.

Agreement on gold sales still eludes G7

By Robert Chote, Economics Editor, in Washington

Senior officials from the Group of Seven leading industrial countries failed again last week to agree on the sale and reinvestment of part of the International Monetary Fund's gold reserves to finance debt relief for poor countries.

The meeting of G7 deputies in Washington failed to dislodge Germany from its opposition to gold sales. This undermines the confidence expressed by the US and UK after last month's summit of G7 leaders in Lyons that gold sales would eventually be approved.

Advocates of gold sales concede they cannot yet be confident that they have the required 85 per cent support needed to approve the move in the IMF's executive board. One IMF insider said firm support probably stood at 80 per cent or less.

Mr Michel Camdessus, the IMF's managing director, has proposed selling $2bn worth of the organisation's $40bn gold reserves to help put its concessional "enhanced structural adjustment facility" on a permanent footing. He has made this a precondition for the IMF's participation in the joint initiative on poor country debt being drawn up with the World Bank. The IMF's contribution to the initiative would involve extending the maturity of Esaf loans or giving countries grants with which to meet part of their debt service payments.

Germany, which wields 5.5 per cent of the votes on the IMF board, opposes even the modest sale of gold proposed by Mr Camdessus on the grounds that it sets an undesirable precedent for further sales. Bonn is also concerned that gold sales are dangerous when the IMF is lending heavily to Russia and Mexico, and that it might encourage demands for the sale of domestic gold stocks.

The US and Britain had hoped to win over Switzerland but a personal intervention by Mr Theo Waigel, the German finance minister, trumped their lobbying efforts. The Swiss, whose constituency has 2.8 per cent of the votes on the board, also want to avoid stoking up support at home for the idea of selling domestic gold to finance trans-Alpine tunnels.

One member of the IMF board said Japan (5.5 per cent) was now likely to support gold sales, but the Italians (4 per cent) had come under strong pressure from Germany and therefore remained "ambivalent". To block the proposal the Germans would therefore probably need the support of either the Nordic constituency (3.5 per cent) or the Austrian/Belgian constituency (5.1 per cent). There are differences of opinion within both these constituencies, although eventually each will have to vote as a bloc.

If the issue is put to a vote, this is unlikely to take place until September.

The continued deadlock leaves the poor country debt initiative in an increasingly precarious state. The Paris Club of creditor governments made no progress in agreeing its own contribution to the initiative when officials met in Paris recently.

The Paris Club rejected the idea of holding a special meeting to discuss the issue, but officials believe it may bring forward the date of its next formal meeting from September 23.

Michel Camdessus: Bonn opposes his gold sale proposals

Venezuela starts to make inroads into public debt

By Raymond Colitt in Caracas

Venezuela is making headway in efforts to reduce its $32.6bn public debt, following the implementation of an economic stabilisation plan backed by the International Monetary Fund.

The government has resumed payments on foreign debt *arrears, is settling* liabilities between state entities, and is hammering out details of a plan to restructure its debt profile and ease repayments, which peak next year due to imminent debt maturities.

"What we are trying to do is reduce, restructure and order our debt so as to redirect funds towards productive investments and stimulate economic growth," said Mr Néstor Suárez, director of public finance. The country's debt burden had acted as a recessionary brake for the past 15 years, he added. The finance ministry forecasts negative growth of 1 per cent for 1996.

Though the country's debt is manageable in relation to its exports (an estimated $1.6bn per month) or international *monetary reserves (currently* $10.1bn), it still represents a significant burden.

The total annual debt service, expected to reach $5.9bn this year, represents about half of budgeted ordinary income, according to the finance ministry. The government hopes to reduce this to between 35 and 38 per cent by 1998. The country's external debt-to-GDP ratio is currently 59 per cent.

Instrumental in the government's debt conversion strategy is a legislative proposal to be approved by congress in coming days that would establish a "debt rescue fund" using proceeds from future privatisation and windfall oil revenues. The latter has been made possible by an oil price in the year to date almost $2 a barrel *higher than budgeted.*

Through the debt rescue fund the government will be able to finance debt conversion and reduction schemes. "It is a tool that congress wants to give President Rafael Caldera, which goes beyond raising taxes, to resolve the problem of the debt, especially the foreign debt," said Mr Leonardo Montiel, a senator who co-sponsored the bill in congress.

Argentina's new economy chief pledges continuity

By David Pilling in Buenos Aires

Mr Roque Fernández, who today replaces Mr Domingo Cavallo as Argentina's economy minister, has spent the weekend building a new team and reassuring markets of economic continuity.

Mr Fernández, named econ*omy minister after President* Carlos Menem's surprise sacking of Mr Cavallo on Friday, is expected to draw much of his ministerial staff from the central bank, where he has been president since 1991.

Most of the heavyweights of Mr Cavallo's so-called "super-ministry" have resigned and few are expected to be enticed back in spite of entreaties from the former minister to stay on.

Among the most significant losses are Mr Juan Llach, deputy economy minister, as well as other close allies of Mr Cavallo such as Mr Horacio Liendo, Mr Ricardo Gutierrez and Mr Carlos Sánchez.

Mr Fernández emphasised that policies would stay the same in spite of personality changes. "People can rest assured that the financial sys*tem will remain* as it is, banks will open normally on Monday and the economic plan will continue," he said.

The Merval index of blue-chip stock dropped 4 per cent on Friday after Mr Cavallo's sacking, and some analysts say markets could fall by as much as 10 per cent when trading resumes today.

There were also reports at the weekend of Argentines buying dollars for above the official exchange rate of one-to-one, even though peso-dollar parity is guaranteed by the government as the cornerstone of economic policy.

There were no signs, however, of general panic. According to a poll published in Clarín newspaper, 70 per cent of Argentines believe the president was right to sack Mr Cavallo and 80 per cent think economic policy will not be affected.

Some of Mr Cavallo's collaborators may have been persuaded to stay on, including Mr Carlos Bastos, the powerful minister of energy and transport, and Mr Felipe Solá, agriculture minister.

Mr Fernández's position was strengthened by the endorsement of leading congressmen.

Clash of personalities, Page 14

ATLANTA OLYMPICS

Sydney seeks to learn from Atlanta agony

By Nikki Tait in Sydney

Mr Mal Hemmerling, chief executive of the committee responsible for organising the next Olympic Games in Sydney, was in earshot when the bomb exploded in the Atlanta park on Saturday.

Mr Hemmerling has already said Sydney will review its security plans, acknowledging that previous strategy did not encompass the entire Homebush site, where many of the main sporting venues are being built: "The village is a secure site... but we will look now at the whole management of the Homebush Bay site, with the number of venues we have in the one precinct and determine what the appropriate security measures are."

Thousands of miles away, Australians seemed to take the news from the US phlegmatically, with a gold medal by swimmer Kieran Perkins in the 1,500m freestyle doing much to offset the bomb drama. In general, Sydneysiders have been enthusiastic about hosting the Games in the year 2000, convinced that it will put Australia on the international map and that their city's stunning natural surroundings will prove a winner.

But from the outset there have been rumbling concerns over the cost, disruption and logistics of coping with an influx of visitors. Older inhabitants, meanwhile, sometimes question whether their relaxed and safe city would be the same again. Atlanta's experiences have done nothing to soothe such worries.

Officials at the Sydney Olympics Games Organising Committee, most of whom are in Georgia taking notes, admit that the past week has been a sobering experience. "I don't think you realise the scale of the task until you see it," said one – before the bomb added to the list of concerns.

However, SOGOC plays down the likelihood of Atlanta's logistical problems being repeated. The geography is very different, officials point out, with most sporting venues some distance from the city centre and within walking distance of the athletes' village.

Australia's much smaller population should also mean that the total number of people arriving for the games will be lower. The number of athletes, meanwhile, will be strictly limited to 10,000; in Atlanta, the figure within the Olympic village alone topped 10,500 ahead of the opening ceremony.

"It is obvious that transport is going to be a particular challenge but no one is expecting 2m visitors to Sydney," said Mr Bob Carr, premier of New South Wales, in Atlanta last week.

The local building industry, however, has warned of potential labour shortages as construction work piles up, and a possible surge in wage costs. Also to be resolved are the capacity constraints at Sydney airport, although air bases to the north and west of Sydney might take the overflow.

Separate challenges arise on the "ceremonial" front, especially in devising an opening event. "We are going to have to do better than local suburban ballet school dancers dressed as koalas, bouncing beach balls to the sound of a didgeridoo," Mr Carr was quoted as saying, after Atlanta's glitzy start.

Relations with Australia's indigenous community are another delicate area. Tensions have increased following the change of federal government in March, and there have been some warnings that – despite official attempts to "showcase" Aboriginal culture at the 2000 Games – Australia could be headed for embarrassment. A domestic controversy erupted when Cathy Freeman, the Aboriginal sprinter, wrapped herself in her people's flag for a victory lap at the Commonwealth Games in 1994.

Finally, there is the question of who is to declare the games open. The last Labor government was keen for Australia to become a republic by 2000, ending the British monarch role's as Australia's head of state. The current conservative administration is ambivalent. Mr Tim Fischer, deputy prime minister, suggested Prince William, the eldest son of Prince Charles, might be an appropriate choice, given the new millennium. Local republicans responded with a mixture of astonishment and outrage.

The governor-general, the British crown's representative in Australia, would be the obvious compromise. But while Sir William Deane is both Australian and a distinguished lawyer, the question is how many of his fellow-countrymen would recognise him?

Roba rules the road

Keith Wheatley on the first African woman to win a marathon at the Olympic Games

Fatuma Roba: picked up speed on victory lap

Fatuma Roba of Ethiopa opened a new chapter for African female runners, with an extraordinary two-minute winning margin in the women's marathon. Roba, a 26-year-old police officer, was so fresh after crossing the finish line that her pace in a victory lap was quicker than that of second-placed Valentina Yegerova as the Russian closed on the tape.

"I knew that I had no chance against the Ethiopian," Yegerova acknowledged later. Japanese runner Yuko Arimori took bronze, 34 seconds behind the Russian. This pair had been gold and silver medallists, respectively, in Barcelona but were eclipsed in Atlanta by the unknown from Addis Ababa.

Roba's time of 2:26.05 was several minutes outside the Olympic record set in the inaugural women's marathon at Los Angeles 12 years ago. However, on the hilly Atlanta circuit it was a remarkable performance, the more so in the light of Roba's scant record. Her only previous marathon performance was at the IAAF world championships in 1994 at Gothenburg. Roba, a skinny figure at 165cm and weighing just 48kg, finished 19th. In Atlanta she was on no one's list of possible winners.

"Before the race I was afraid of the others with better times but soon realised that they were not running very fast today," said Roba. "I picked up speed and and they could not follow. At that point I was sure I would win because I had practised very hard."

Nothing in the first hour of the race indicated the surprises ahead. Fears of runners collapsing in the predicted heat and humidity, causing the 7am start, vanished in an overcast dawn with temperatures in the low 70s.

Out of the stadium Uta Pippig of Germany made an early break and soon went into a clear lead. Coming off three straight marathon wins, the most recent being Boston in April, the German was confident she could stamp her authority on the race. At 10km she had a 30-second cushion on a chasing pack that included all three eventual medallists.

But an hour and five minutes into the race the chasing group enveloped Pippig. Arimori led briefly but at 20km Roba had a six-second lead and thereafter she had little need to look back, stretching the margin continuously and without apparent effort.

Atlanta has a sizeable Ethiopian population and many of them lined the pavements waving national flags and cheering Roba on. She had an energetic wave and a massive toothy grin for all of them.

As she entered the packed stadium shortly after 9am, Roba was in a state of euphoria. Crossing the finish she kissed the track, and without pausing for breath set off on a victory lap wrapped in the national tricolour.

For four decades, back to Abebe Bikila in Rome and Tokyo and Mamo Wolde in Mexico City, the Olympic triumphs of male marathon runners had become part of Ethiopian national culture. Roba has surely begun a new era for her sisters.

● Britain's Liz McColgan came in 16th in 2:34.30.

Two Germanys better than one

By Judy Dempsey in Bonn

Germany's Olympic commentators cannot explain it. The competitors can only say they really did their best. And the fans are terribly disappointed with the results so far: halfway through, the German team had won only three gold medals, nine silver and 15 bronze.

What a change from the 1992 Barcelona Olympics, when Germany came home with 82 medals, 33 of them gold. And they were third in the overall placings. This time, despite a flurry of medals yesterday, they are losing out to the most unexpected teams, whether to Slovakia in canoeing or to Egypt in handball.

The great rower Thomas Lange, who won gold in Seoul and Barcelona, had to settle for bronze at the weekend behind a Canadian and a Swiss, while the world-class fencers, tipped to win gold as in the past, failed to make an impact. This suggests that lack of training or experience are not responsible for Germany's poor showing.

Perhaps one reason is that since Germany was reunified,the intense competition between the two Germanys no longer serves as an ideological incentive for each to outdo the other in the medals league. That intensity was still there in Barcelona but has since worn away as sport in Germany becomes "normalised" and much greater attention is paid to identifying those on steroids, often an ingredient in the success of the east German athletes.

By contrast, the independent countries which emerged after the collapse of the former Soviet Union – such as Ukraine and Kazakhstan – have done surprisingly well, possibly because sport is a way of establishing international recognition.

That is little solace to the German team, where there are signs of recriminations surfacing. Franziska van Almsick, the pride of Germany, who won silver instead of gold last week, lashed out *at the* German swimming association, accusing the leadership of being unqualified and doing "nothing for us".

But things could be worse. The British team began yesterday sandwiched below Kazakhstan and above North Korea on the medals table. And Germany did win the 1996 European football championship.

ATLANTA DIGEST

Russians lose medals for doping

Two Russian bronze medallists have been stripped of their medals by the IOC after testing positive for bromantan, a stimulant. Andrei Korneev, who won bronze in the 200m breaststroke swimming final, and Zafar Gouleiev, third in the Greco-Roman wrestling 48kg category, were also disqualified from the games. Lithuanian sprint cyclist Rita Razmaite was also found to have taken the substance and disqualified. She had come 13th in her event.

A spokeswoman for the IOC said bromantan was a new drug, which had not been found in previous games. It acted as a performance-enhancer, but could also be used as a masking agent.

Korneev's medal may pass to British breaststroker Nick Gillingham, who finished fourth, depending on the decision of Fina, the swimming governing body. *Peter Aspden*

Simpson survives ups and downs

World slalom canoe champion Lynn Simpson, a 25-year-old British MBA student and economics graduate, came close both to drowning and to winning a gold medal in the women's section of the slalom competition. Simpson began her first run by capsizing shortly before the second gate on the 400m course, and had a nightmare further down when her kayak was sucked into the maelstrom between gates seven and eight and flipped over. "I thought I was going to drown there," she said.

But at her second attempt, Simpson confidently attacked the course. Her 161.71-second time was 5.2 ahead of the leader, Stepanka Hilgertova of the Czech Republic, but the judges penalised her 50 points for failing to clear a gate fully. Her final placing was 23rd. *Keith Wheatley*

Results

Rowing

Women's quadruple sculls final: 1 Germany 6 minutes 27.44 seconds; 2 Ukraine 6:30.36; 3 Canada 6:30.38.
Men's coxless lightweight fours final: 1 Denmark 6:09.58; 2 Canada 6:10.13; 3 US 6:12.29.
Women's lightweight double sculls final: 1 Romania 7:12.78; 2 US 7:14.65; 3 Australia 7:16.56.
Men's lightweight double sculls final: 1 Switzerland 6:23.47; 2 Netherlands 6:26.48; 3 Australia 6:26.69.

Athletics

Women's marathon: 1 F. Roba (Ethiopia) 2 hours 26 minutes 5 seconds; 2 V. Yegorova (Russia) 2:28:05; 3 Y. Arimori (Japan) 2:28:39; 4 K. Doerre-Heinig (Germany) 2:28:45; 5 R. Rios (Spain) 2:30:50; 6 L. Simon (Romania) 2:31:04; 7 M. Machado (Portugal) 2:31:11; 8 S. Krolik (Germany) 2:31:16; 9 X. Ren (China) 2:31:21; 10 A.M. Lauck (US) 2:31:30.

Cycling

Men's points race final: 1 S. Martinello (Italy); 2 B. Walton (Canada); 3 S. O'Grady (Australia).
Men's sprint final: J. Fiedler (Germany) beat M. Nothstein (US) 2-0. Bronze medal: C. Harnett (Canada) beat G. Neiwand (Australia) 2-0.
Women's individual pursuit final: 1 A. Bellutti (Italy) 3:33.595; 2 M. Clignet (France) 3:38.571.

Hockey

Women's preliminary round: Britain 3, Germany 2; Australia 4, US 0.
Men's preliminary round, group A: Pakistan 6, Argentina 2.

Rail disruption set to widen

End to post dispute looks likely today

By Robert Taylor,
Employment Editor

A settlement of Britain's postal dispute looks likely today but the country faces the prospect of growing conflict on the railways next month.

In addition to continuing deadlock in the London Underground drivers' dispute – which is again expected to bring an almost total shutdown today – 24-hour stoppages may also be coming from train conductors in a number of key operating companies.

The Royal Mail was confident last night that the postal workers' dispute over team-working would be resolved when the executive committee of the Communication Workers Union is asked to accept a package negotiated by its leaders. This is designed to meet their anxieties about work reorganisation.

Last week the union suspended its rolling programme of disruption saying "considerable progress" had been made towards a deal.

However, strike ballot results are expected on Wednesday from 6,000 train conductors employed by seven of the country's private rail operating companies.

The RMT transport union has called on them to support a planned series of 24-hour stoppages in pursuit of claims for improved productivity pay, and opposition to job restructuring and a planned cut in their 30-minute "physical need" breaks.

Union officials argue the conductors have been required to take on increased responsibilities in recent years from station staff. At the same time, some private companies want to transfer safety and operational duties from conductors to drivers.

The companies concerned are North London Railways, North West Regional Railway, South Wales and West, Thames Trains, Cross-Country Trains, Great Western and Inter-City east coast.

However, agreements have been reached on the issues by the union for conductors employed with Regional Railways North East, Network South Central and South East Trains. As a result, the relevant staff at those companies are not being balloted as had originally been planned.

Further ballot results are expected later next month from conductors employed by Central Trains and ScotRail.

More negotiations between the rail unions – RMT and Aslef – are expected with London Transport at the offices of Acas, the conciliation service, before the next planned stoppage on the Underground, which is due to take place a week on Wednesday.

The dispute centres on a difference of opinion over whether the drivers have achieved productivity improvements to ensure a cut in the basic working week from 38.5 hours to 37.5 hours from next month, something that was agreed last year.

N Ireland's second city tense ahead of talks

Apprentice Boys prepare to march as negotiations begin in earnest

Negotiations are set to begin in earnest today in Northern Ireland's multi-party talks. But as the participants convene at Stormont, much of their attention will be on developments in Londonderry, the province's second city.

In the wake of the ugly scenes at Drumcree, where police forced an Orange Order march through a Catholic housing estate, local churchmen and politicians are trying to head off another confrontation – this time between nationalists and protestant Apprentice Boys who plan to march along the old city walls on August 10, to commemorate the successful defence against the forces of the Catholic King James.

Sir Patrick Mayhew, the Northern Ireland secretary in the UK government, met with the Apprentice Boys last week. On Friday, Mr John Hume, the local MP for the moderate nationalist SDLP, convened a meeting of their leaders and the nationalist Bogside residents association, which is threatening to disrupt the occasion.

Local reports suggest that Orangemen from outside the area are moving into the Fountains estate, the only protestant housing on the city side of the river Foyle, in advance of the march. The nationalist residents association has made a public appeal for rooms for those activists travelling to Derry for the event.

The anger among Derry nationalists is widespread.

"Even business people have been politicised by what's happened. It used to be just a matter of refusing to stand for the national anthem at their local golf club," says Mr Eamon McCann, a broadcaster and socialist.

Derry – where the Troubles started in 1969 – has long had a nationalist majority, and was once a byword for local government gerrymandering.

More recently, through the efforts of moderates such as Mr Hume, it has provided an all-too-rare example of power sharing, with the minority unionists holding mayoral offices. "We could have all the power but we don't," says Mr Hume.

In the wake of this latest unrest, even those advances seem at risk. The SDLP has tabled a vote of no confidence in the unionist mayor, Mr Richard Dallas, who took part in an Orangemen's protest in support of the Drumcree Orangemen.

Pacemaker

Paddy Doherty, with Derry in the background, says there is a determination among nationalists

Mr Paddy "Bogside" Doherty, leader of the Inner City Trust which is responsible for Derry's regeneration, says: "Nationalists are desperate. But there's also a quiet determination. The situation has been clarified. We're now confronting the British establishment, not the unionists."

Sir Patrick caused further consternation with his recent comments that he could not guarantee that the police would not be overwhelmed on another occasion. Mr Doherty says this was "the best case the government could have made for the non-decommissioning of arms".

Even moderate nationalists believe the arms issue was a delaying tactic by the government. "Look, when they knocked down protestant houses on the city side, they found lots of loyalist guns which everyone had forgotten about. Someone said recently there was a four-letter solution to decommissioning – rust," said Mr Micky McGuinness, a local historian.

But a common concern among moderates is that the current anger could play into Sinn Féin's hands, eclipsing the SDLP. "It happened before. Hume, you remember, only emerged after challenging the old nationalist party to deliver, which they failed to do," says Mr Doherty. "John Major has to get Gerry Adams to Downing Street. That's the only thing that is going to save us from another 20 years of violence, and save John Hume."

A school principal concurs. "Nationalists won't be content until unionists are stood up to. If that means the spilling of blood, then so be it."

If unionists try to hijack today's talks by insisting on decommissioning, the view in Derry is that this will result in a hardening of opinion.

Mr Glen Barr, trade unionist and former leader of the 1974 protestant Ulster Workers strike which brought down the power-sharing administration, believes the Troubles effectively ended in Derry more than 10 years ago.

But he says: "The sad thing is that both communities that live in this city have a fervent love for the city. But if we can't solve our problems during a period of peace, then conflict seems inevitable."

John Murray Brown

Companies pay £265m in tax law compliance

By Jim Kelly,
Accountancy Correspondent

UK-listed companies spend an average of £126,000 a year on complying with tax laws – a total bill of about £265m ($413.4m) – according to a survey published today by accountants KPMG.

The results suggest a 33 per cent rise in the cost of compliance over the past five years against an increase in the retail prices index of 14.5 per cent. They will add to growing concern about the complexity of tax legislation and increase the pressure for fundamental reform of the tax framework.

Mr David Frost, president of the Chartered Institute of Taxation, said: "We are very keen for the tax system to be simplified – but it's not just the wording – it's the legislation itself. They start off with a simple concept but then people within government or the [Inland] Revenue are anxious there should be no avoidance opportunities so you start getting *complications*."

The government, with support from the Inland Revenue (the UK tax authority), is rewriting some parts of tax law. Lobby groups, such as the tax law review committee, are pushing for more fundamental reform. Attempts to simplify tax law have been a significant feature of recent Budgets.

Mr Ian Barlow, head of tax at KPMG, said that while the tax authorities had become more efficient and helpful they had also become "more assertive and suspicious" of business and this had added to costs.

The 300 companies that replied to the survey said that tax laws were too complex, uncertain, unco-ordinated, badly drafted, varied and "obsessed with preventing tax avoidance".

The favoured solutions were to remove tax "blackspots" – where the law is so complex there is no certain interpretation; to shorten and rewrite the law in plain English; to tax profits on an accounts basis; and to abolish some taxes. One example would be to combine National Insurance contributions with income tax.

A less popular solution was "purposive legislation", in which laws would be written in general form setting out their intentions, rather than in great detail. There is some political interest in a general purposive anti-avoidance law.

KPMG's figures show that 31.5 per cent of companies pay more than £100,000 to comply with tax rules; a further 30.3 per cent pay more than £50,000. Only 14.7 per cent pay less than £25,000.

Executive bonuses reach 15% of salary

By Robert Taylor,
Employment Editor

The level of executive bonuses tied to company performance and improved productivity has risen to more than 15 per cent of basic pay over the past six months, according to a survey by Sedgwick Noble Lowndes published today.

The largest improvements for directors have been among those in divisions or subsidiaries of corporations with an annual turnover of more than £1bn ($1.56bn). Their total median remuneration package (basic pay plus bonuses and other benefits but excluding share options) rose in the 12 months to June by 12.3 per cent to £239,500 for managing directors and £124,300 for board directors.

The biggest median increases in basic salaries were 10.7 per cent for executives in parent companies with an annual turnover of between £50m and £300m to £147,000 for chief executives and to *£97,000 for board directors*. Their remuneration packages rose by 8.1 per cent to median figures of £178,000 and £113,400.

Median salary increases for all executives of 5.3 per cent in the past six months, compared with 5.0 per cent six months ago, were significant. The median gross base salary before bonuses is now £70,900.

Directors employed by corporations with an annual turnover of up to £50m received median pay rises of 8.1 per cent while those in companies with turnovers exceeding £1bn secured 6.3 per cent increases.

"Salary increases by job function seem to indicate that it is services and consumer activities not manufacturing that are leading the upturn," said Mr Andy Christie, remuneration consulting director at Sedgwick Noble Lowndes yesterday.

The survey found that the largest increases were for executives in general management and corporate functions with a 6.4 per cent median improvement – up from 5.3 per cent six months ago.

The lowest median salary rises were for executives in manufacturing at 4.3 per cent, a decline from the 4.5 per cent recorded six months ago.

Personnel directors averaged 5.5 per cent during the past 12 months, followed by 5.4 per cent for those in sales and marketing, and 5.3 per cent in administrative and legal affairs.

The survey sample consists of 4,627 managers employed in 587 private sector companies.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Airtours 3.25p
Bank Montreal FRDs.1998 $277.42
Bank Nova Scotia C$0.34
Bass 7.7p
BSS Group 14p
Camellia 23.5p
Can Imp Bank Commerce C$0.45
Can Pacific Rail C$0.12
Do. C$0.01
Do $0.888887
Do. Interchangeably 0.888887p
City of London PR 3.54p
Compass 2.75p
Daiwa Overseas Fin. FRN. '04 $15,137.04
Do GTD. FRN. 2004 $2,944.85
Ex-Import Bank Jap 2¾% Gtd. Bds.'05 Y287,500
Ferraris Grp. 1.05p
Fin Rec Sec Trans Asset Bkd. FRN. '16
Do. Senior Asset Bkd. FRN. '16 £1,265.60
For & Col Private Equity Tst. 0.5p
Furukawa Elect. 6% Nts. '96 Y600,000
GEI Intl. 3p
Hitachi Credit 6½% Nts. '98 $65
Mitsubishi Chem 4.15% Y4,150,000
Nichimen 4.75% Nts. '98 Y475,000
Nissho Iwai 4.45% Bds.'97 Y445,000
Do. 4.7% Bds. '98 Y470,000
Rolls-Royce Cap 7⅛% Nts. '03 $71.25
State Elect Comms Victoria 9¾% Gtd. Nts. '99 A$32.50
Sumitomo Metal FRN. '97 Y104,438
Tokyo Elect Power 4.125% Nts. '03 $368.75
Tozzy Inds. FRN. '97 Y460,000
Toyobo FRN. '98 Y32,500
Victoria Carpet 3p
Wilmington 3.25p

■ TOMORROW
Cafe Inns 2.4p
Cussons 3p
Central Hispano Fin Sub. FRN.'05 $13.14
Dow Chemical $0.75
Dwyer Estates 0.4p
Expro Intl. Grp. 4.7p
ISS Grp. 0.6p
Republic Ireland 9% Cap. '96 £4.5
Do 8% Cap. 2028 £4.125
Montanaro UK Small Co.Inv.Tst. 1.4p
Moorepay 1.2p
Nationwide Bldg. Soc. 3¾% N. '22 [illegible]
Quality Care Homes 1.85p
[illegible]
Residential Prop Tst. 3p
Rolls Royce 11¾% Nts.'03 £118.75
Unidare 14.6p

■ WEDNESDAY JULY 31
Airflow Streamlines 10%Cm. Pf. 5p
Allied Irish Banks Non. Cm. Pf. $0.596825
Do. Sub. Prim. Cap. Per. FRN. $153.33
A.M.P 11½% Bds. 2001 £115
Britannia Bldg. Soc. 13% £65
British Airways 9.6p
British Petroleum Co. 8% Cm. Pf. 2.8p
Do. 9% Cm. Pf. 3.15p
Campbell Soup $0.345
Can Imp Bank Comm FRDs. '94 $254.38
Chemring 3.16p
Do 4.5% Cm. Pf. 2.45p
Collateralised Mort (6) Bkd. FRN. '37 £72.74
Collateralised Mort (8) Bkd. FRN. '37 £51.23
Collateralised Mort (12) Mort. Bkd. FRN. '36 £85.02
Do. £205.95
CPL AROMAS 2.3p
Derwent Valley 10¾% Mort. Deb. '16 £5.0833
Dewhurst 9.25% Cm. Pf. 4.625p
Dixons Conv. Cm. Rd. 3.5p
[illegible] Invs. Tst. 0.4p
Dunedin Ent. Invest. Tst. 11¼% Deb. '16 £5.625
Edison Intl. $0.25
Eng & Scottish Invs 8.25% '23 £4.125
Do. 11% Deb. 2014 £5.50
Finsbury Worldwide Pharm Tst. 0.25p
Fleming Jap Invs. Tst. 3% Cm. Pf. 1.75p
Global Stock Invs. $0.1148
Do. Global High Inc $0.2115
Do. UK High Inc 11.35p
Govett High Inc Invs. Tst. 1.12p
Granada Conv. Pf. 2.76p
Greencore IR2.3p
Hanson 9½% Conv. Sub. Bds. '06 £47.50
Haslemere Ests 10¾% Mort. Deb. '16 £5.3
Hemingway Props 10.375% Mort. Deb. '23 £5.1875
Do. 7.5% Conv. Unsec. '27 £3.75
[illegible] Mort. Bkd. FRN. '20 £142.33
Do Mezz Mort. Bkd. FRN. '20 £172.73
Hopkinsons 0.8p
Do. 6.25% Cm. Pf. 2.625p
HSBC Hldgs 11.69% Sub. Bds. '02 11.69p
Hyder 7.03% Cm. Pf. 3.5875p
Ireland 14¾% 2016 £7.25
INCESCO [illegible] Tst. 0.455p
Italy FRN '97 $288.35
[illegible] Conv. Unsec. 1999 £5.8219p
Jupiter Split Tst. 3.85p
Do. Package Units 6.54p
Land Secs 10¾% Mort. Deb. '27 £5
Do. 9½% Conv. Bds. '04 £234,270
Do. 10¾% Exch Bds. '04 £207.60
Legal & Gen Recovery Invs. Tst. 0.75p
Liberty 9% Cm. Pf. 3.1p
Do. 8.5% 4.25p
London Clubs Intl. 10.6p
Lovell Gas Int. $0.05
LPA Inds. 0.075p
Lynton 10.5% Mort. Deb. '17 £5.125
Macallan-Glenlivet 7% Cm. Pf. 2.45p
Malaysia 10¾% 2006 £5.375
McKechnie 6% 2.1p
M & G Second Dual Tst 12.15p
Natl Australia Bank FRN. '97 $395.15
National Home Loans 1.1p
Nat West Bank Var. Rate Cap. 2000 $1,592.5
New City Comm Invs. Tst. £2.7207
Northern Counties Housing Ass. 9¾% Gtd.Sec. '25 £4.5925
Panther Securities 3.7p
Peabody Donation 10.25% Mort. Deb. '18 £5.125
Powergen 14.2p
Powerscreen Intl. 6.7p
Premier 10.5% Cm. Pf. 3.675p
Protean 5p
[illegible] Intl. Cap. Tst. 2¼% Sub. '99 £61.25
Rugby Fin. 1987 £5.25
Rank Org 6.25p Conv. Cm. Rd. 4.125p
Rebus 1.35p
Residential Prop Secs FRN. '22 £572.76
Do. Class A2 FRN. '22 £1,351.42
Do. Class A3 FRN. '23 £1,351.91
River Plate & Gen Invs. Tst. 3p
Royal Bank Can FRDs. '05 $83.89
Schroder Inc Growth Fund 1p
Schroder Mediterranean Fund 2p
Schroder UK Growth Fund 3.2p
Scottish Eastern Invs. 8½% Deb. '24 £4.25
Do. 9¾% Deb. 2020 £4.875
Do. 12½% Deb. 2012 £6.125
Scottish & New 7% Conv. Cm. Pf. 3.5p
Seton Healthcare 4.8p
Shires Income 4.3p
Skipton Bldg. Soc. 12⅞% Perm. Int. £64.375
Smith & Nephew 8% Cm. Pf. 1.685p
[illegible] Undated Sub. FRN £136.31
Temple Bar Invs. Tst. 7% Cm. Pf. 2.45p
Tesco Unsec. Deep Disc. 2006 £2
Throgmorton Tst. 7¼% Cm. Pf. 2.5375p
TMC Pl.M.B.S. First Fin Nts '28 £157.21
Do. Fourth Fin '28 £33.96
Do. Sixth Fin '28 £46.82
Do. Third Fin '28 £103.07
Transamerica $0.50
Trans & Devt 13¾% Unsec. '06 £6.875
TR City Lon Tst. 9½% Deb. '21 £4.75
TR High Inc Tst. 1.5p
Do. subscription 1.5p
Trinity Corp 3.3p
Trinity Hldgs. 5.3p
TR Prop Invs. Tst. 0.55p
USP & G. $0.05
Viceroy 1.5p
Ware 5% Conv. 4p
Waterford Foods 7.5% Cm. Pf. IR3.75p
Do. 9% Cm. Pf. Ir4.5p
Do. 8.5% Cm. Pf. Ir4.25p
Wells Fargo & Co. FRN 2000 $21.56
Whitbread 11¾% Deb.'11 £5.875
[illegible] 7% Cm. Pf. 2.45p
Wolseley 3.1p
Woolwich Bldg. Soc. FRN. £156.70

■ THURSDAY AUGUST 1
Aberdeen Corp. 12.8p
Allied London Props 10% Cm. Pf. 5p
American Tst. 5% Cm. Pf. £1.75
Amersham Intl. 13.1p
AT&T $0.33
BBA Grp. 5% Cm. Pf. 1.75p
Bell Atlantic $0.72
Bellsouth $0.36
BLP Conv. Cm. Pf. 4p
BOC 13.5p
Brit Funds 4% Consd. Ln. £2
Brit Gas Intl. Fin. 12% Gtd. Nts. L600,000
Belgo (A.F.) 0.45p
Do. A. Non. Vtg. 0.45p
CALA 4% Cm. Rd. Pf. 1.4p
Chelsea Bldg. Soc. Sub. FRN '04 £2,852.79
Courtaulds 11.4p
Critchley 7.35p
Dalgety 4.5% Cm. Pf. 2.125p
Delyn 1.5p
Dudley Met Council 7% 2002 £3.50
Elliott (B) 1.8p
Fleming Mercantile Invs Tst. 1.8p
Do. 2.8% Cm. Pf. 1.4p
Do. 3.5% Cm. Pf. 1.75p
Govett Strategic Invs. Tst. 5% Cm. Pf. 1.75p
Harris (Philip) 3.75p
Healthcare Ops 1 Mort. Bkd. FRN. '21 £97.58
Hill Fibre 2.46p
[illegible] 10% Cm. Pf. 5p
Lewis (John) 5% Cm. Pf. 1.75p
7% Cm. Pf. 2.45p
Lincoln National $0.46
London Industrial 9p
Lynx Hldgs. 0.45p
Manchester Corp. 4% 1991 Rd. £1.50
Met. Water Board 3% Deb. £1.50
Morrison Construction 3.05
North East Water 4.25% Rd. Deb '12 £2.125
Do. 3.25% Rd. Deb. '12 £1.625
Do. 12% Rd. Deb. '04 £6
NYNEX Corp. $0.59
Secure Retirement 1p
Shell Trans 7% Cm. Pf. 2.45p
Throgmorton Dual Tst. 1.75p
Torchmark $0.23
Tor Inv. Tst. 10p
[illegible] 3p
Whitbread 4½% Cm. Pf. 1.575p
Young and Co's Brew 4.2% Cm. Pf. 2.1p
Do. 6% Cm. 4.2p

■ FRIDAY AUGUST 2
Archimedes Invs. Tst. 11p
Cambridge Water 5p
Do. Non-Vtg. 5p
East Surrey Hldgs. 12.4p
Do. Non-Vtg. 12.4p
Edinburgh Income Tst. 1p
Essor Hldgs. 3.25p
Feedback 2.75p
Fenner 1.7p
Firth Rixson 0.4p
Heavitree Brewery 3p
King & Shaxson Hldgs. 6p
Kobe 9½% Gtd. Bds. 2000 $462.50
Kobe [illegible]
Marks & Spencer 3.4p
Mitsubishi Chem 4¾% Bds 2000 Y475,000
PWS Hldgs. 0.3p
Sainsbury (J.) A.D.R. $0.6695
Silk Inds. 4p
Southnews 4.05p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Associated Nursing Services, 1, Battersea Square, Battersea, S.W., 12.00
Beverley Group, 7, Pilgrim Street, E.C., 11.00
Camellia, Park Lane Hotel, Piccadilly, W., 10.30
Contra-Cyclical Inv Tst, Aldermans Hse., Aldermans Walk, E.C., 12.30
Dartmoor Inv Tst, Chamber of Shipping, 12, Carthusian St., E.C., 10.30
Foreign & Colonial Smaller Co's, Stationers Hall, Ave Maria Lane, E.C., 11.30
Inver Workings, 152, Bath St., Glasgow, 11.00
Stirling, Stakehill Lane, Middleton, Manchester, 12.00
BOARD MEETINGS:
Finals:
Ashtead
Coral Products
Ewart
TR Smaller Co's Inv Tst
Interims:
Fidelity European Values
ISA Int
Ivory & Sime ISIS Tst
Kode Int
Moorepay
Porvair
Regal Hotel

■ TOMORROW
COMPANY MEETINGS:
Belgo (AF), Bypass Rd, Barking, Essex, 3.00
Cantors, Cutlers Hall, Church St., Sheffield, 12.00
Edinburgh Income Tst, Donaldson Hse., 97, Haymarket Terrace, Edinburgh, 12.00
Fleming Worldwide Inc Inv Tst, 25, Copthall Ave., E.C., 11.00
M & G Second Dual Tst., 3, Minster Ct., Great Tower St., E.C., 11.00
Monks Inv Tst, 1, Rutland Ct., Edinburgh, 11.30
Panther Securities, Churchills, Mount Pleasant, W.C., 12.30
Policy Portfolio, 1, Paternoster Row, St Paul's, E.C. 10.00
Severn Trent, Intl Convention Centre, Broad St., Birmingham, 12.30
Stoba, Dorchester Hotel, Park Lane, W. 12.00
South West Water, University of Exeter, Exeter, Devon, 11.00
Thames Water, Barbican Centre, E.C., 2.00
Unigate, Hotel Inter-Continental, Hamilton Place, Hyde Park Corner, W. 12.00
BOARD MEETINGS:
Finals:
Cavaghan & Gray
Oryx Int Growth Fd
Toad
Interims:
Brewin Dolphin
Capita
Fairway
Law Debenture
St Andrew Tst
Sedi

■ WEDNESDAY JULY 31
COMPANY MEETINGS:
Allied Colloids, Stakis Bradford, Hall Ings, Bradford, 12.00
Babcock Intl, Barber-Surgeons Hall, Monkwell Sq., E.C., 12.00
Business Post, 30, Furnival St., E.C., 12.00
CML Microsystems, Benton Hall Golf Club, Wickham Hill, Witham, Essex, 12.00
CPL Aromas, Barrington Hall, Hatfield, Broad Oak, Bishops Stortford, Herts., 11.00
Caspian Group, 18, Southampton Place, W.C., 10.15
Cray Electronics, Chess Bldg., Caxton Way, Watford Business Park, Watford, 11.00
Energy Capital Invs., 99, Charterhouse St., E.C. 12.00
Finsbury Worldwide Pharma Tst, Worshipful Company of Coopers, 13, Devonshire Sq., E.C., 12.00
Helene, Savoy Hotel, Strand, W.C., 12.00
Heath (CE), 133, Houndsditch, E.C., 10.00
Highbury House, New Barbican Hotel, 120, Central St., E.C., 11.00
Invesco Korea Tst, 11, Devonshire Sq., E.C., 10.00
Marshalls, Forte Posthouse Hotel, Clifton Village, Brighouse, West Yorkshire, 2.30
Pilkington, Pilkington Technology Centre, Hall Lane, Lathom, Lancashire, 11.30
Secure Retirement, Great Eastern Hotel, Liverpool St., E.C. 2.00
Sutcliffe Speakman, 135, Bishopsgate, E.C. 11.30
Tamaris, Grant Thornton Hse., Melton St, Euston Sq., N.W., 10.30
Tams (John), North Stafford Hotel, Stoke-on-Trent, 3.00
Turnpike, Rutland House, 148, Edmund St., Birmingham, 2.00
Whitecroft, Holiday Inn Crowne Plaza Midland, Peter St., Manchester, 2.30
BOARD MEETINGS:
Finals:
Dyson (J & J)
Jackson (Wm)
Precoat Int
Sims Food
Interims:
ACC Bank
Baring Tribune Inv Tst
Brewin Dolphin
Cowie
Fidelity Japanese Values
Glaxo Wellcome
Guardian Royal Exchange
Rosebys
Seacon Hldgs
Waste Recycling

■ THURSDAY AUGUST 1
COMPANY MEETINGS:
Bradford Property Tst, Victoria Hotel, Bridge St., Bradford, West Yorks, 12.00
Dart, St Andrews Hill, E.C., 9.30
Evans of Leeds, Millshaw, Ring Rd., Beeston, Leeds 12.00
Fleming High Income Inv Tst, Chartered Accountants Hall, Moorgate Place, E.C., 3.00
Ideal Hardware, 265, Burlington Rd., New Malden, Surrey, 8.00
Oxford Instruments, Old Station Way, Eynsham, Witney, Oxon, 2.30
Yorkshire Electricity, Grimsby Auditorium, Cromwell Rd., Great Grimsby, Lincs, 11.00
BOARD MEETINGS:
Finals:
Abbey
Black Arrow
Mitya
Interims:
Green Property
Greenfriar Inv
Huntingdon Int
Lasmo
Reece
Rotork
TI

■ FRIDAY AUGUST 2
COMPANY MEETINGS.
BPB, Grosvenor House Hotel, Park Lane, W., 12.00
Cook (Wm), Parkway Avenue, Sheffield, 9.30
London Electricity, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W. 11.00
Total Systems, 392-394, City Rd., E.C. 10.00
BOARD MEETINGS:
Final:
Int Tool & Supply
Interim:
Anglo & Overseas Tst

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

مكتامن الأصل

THIS WEEK

Mad cows and the need to know

DATELINE

Brussels: a European Commission memo calling for a campaign of disinformation over the BSE affair must trouble Jacques Santer, writes Lionel Barber

Jacques Santer is staring down the barrel of a smoking gun. So far he has refused to blink. But sooner or later the president of the European Commission will have to respond more fully to charges that the Brussels bureaucracy played down the dangers of mad cow disease (BSE) through a campaign of disinformation.

The allegations stem from an internal Commission memorandum written in October 1990 which summarised a meeting of the EU's standing veterinary committee. That is the same group of national experts which, it will be recalled, voted for the world-wide ban on British beef exports last March and which must approve its eventual lifting.

The six-year-old memorandum claims that the committee concluded that "it is necessary to minimise the BSE affair by using disinformation". The memorandum also alleges that the Commission's representative at the meeting called for BSE to be removed from future agendas "in order not to provoke unfavourable reactions by the market". Finally, a call was said to have been made to Britain to stop publishing the results of its research into the risks of BSE spreading to humans.

Since the document surfaced in the French newspaper Journal de Dimanche four weeks ago, its author has been exposed as Gérard Castille, an official in the Commission's consumer affairs directorate, who has since retired. Tracked down in France, Castille vouched for the authenticity of the memorandum and said he presumed that EU veterinarians "were acting under instructions" when they agreed to hush up concern about BSE – a claim since rejected by Danish and Italian representatives at the meeting.

The immediate Commission response was to dismiss the document as the musing of a low-level functionary with too much time on his hands.

Santer told Euro-MPs in Strasbourg two weeks ago that the memo was a *billet d'humeur* – a personal opinion – which had not been circulated to anyone of any importance in the Commission. As for the charges of a disinformation campaign, he noted that the Commission had held a seminar on BSE on November 11 1990 and published the results.

It was an effective performance, but not enough to dissuade MPs from launching their own inquiry into the Commission's management of the mad-cow crisis.

Meanwhile, the Co-ordination Rurale, one of France's smaller rural farming associations hit by the collapse of the beef market, has filed a lawsuit against the Commission on the strength of the published memo.

The reaction in the Brussels bureaucracy is frustration bordering on contempt. Officials privately accuse MPs of succumbing to a conspiracy theory and pandering to consumer fears when the priority must be to restore confidence in the beef industry. With justification, they complain that the Commission risks being turned into a scapegoat for BSE when the real villain is the British government, which persistently played down the scale of the epidemic and failed to put in place an effective policy of eradication.

Here we come to one of the more unexplored corners of the BSE crisis: the connection between the Castille memorandum and the British government's handling of mad cow disease.

It does not require a leap of imagination to assume that Castille's call for calm on BSE reflected the consensus in Brussels at the time.

True, his choice of the word "disinformation" conjures up KGB-style propaganda campaigns to plant articles in newspapers or to put stooges on television. But his real goal appears elsewhere in the memorandum: "There should be no more talk of BSE".

A veteran EU agricultural official agrees that the official policy was to take all steps possible to encourage eradication of the BSE epidemic on farms while avoiding any suggestion to the public that there could be a link between mad cow disease and Creutzfeldt-Jakob disease (CJD) in humans. The official line on BSE and CJD was crystal clear: case not proven.

That line held for more than five years, though unilateral bans imposed by German *länder* on British beef in the past 12 months showed it was wobbling. But the *coup de grace* came on March 21 this year when the UK government revealed the first official evidence of a likely link between BSE and CJD, albeit conceding that there was still no definitive scientific proof.

The rest, as they say, is history – more unilateral bans on British beef exports, followed by a single worldwide ban by the 14 EU member states. Only last week, the Commission called for tougher controls on the production of lamb following its own "experimental evidence" that BSE could be passed to sheep.

As for the much-vaunted British policy on non-cooperation aimed at securing a lifting of the EU ban, it looks more and more futile. New scientific evidence threatens to delay the promised lifting of the ban on gelatine and tallow derived from UK beef. The Germans are refusing to accept imports of British bull semen, contrary to the understanding reached at last month's European summit in Florence.

In this atmosphere, prime minister John Major's expressed hope of securing removal of the EU ban by November looks increasingly unrealistic. As Jacques Santer has discovered in the BSE crisis, the consumer – not the producer – is king.

PEOPLE

Team player Leschly likes to prove a point

A competitive streak makes the head of SmithKline Beecham a tough opponent, writes Daniel Green

It does not pay to get into a debate with Jan Leschly, chief executive of drugs company SmithKline Beecham. It may be 30 years since he was the world's No 10 tennis player, but he badly wants to win every point whatever the game. He likes smashing his opponents' duff shots.

"The best argument wins and there is no mercy," says Leschly. "But some people don't understand that you play the game and afterwards you go for a beer and you're friends."

The uncompromising style of the world's only half-Danish, half-American drugs company chief executive seems to make business sense. Last week SmithKline revealed first half profits at the top of the range of analysts' forecasts. The company's share price, which had doubled since Leschly became chief executive in April 1994, rose yet further.

His style also helps the company's 50,000 employees feel good, says Leschly, and he can prove it. "We conducted polls of 15,000 of our staff in 1991, 1993, 1994 and 1996. Eighty per cent of our people enjoy working here. If you don't keep score, you're just practising", he adds with only a touch of a smile.

Leschly's secret weapon is his ability to switch from the aggressiveness of corporate America to soft-spoken Scandinavian. Born in Denmark, he trained as a pharmacist in Copenhagen and joined the Danish flagship pharmaceuticals company Novo Nordisk. In 1979, after seven years at Novo, he moved to US drugs company Squibb as vice-president of commercial development. Within a decade he was heir apparent for the top job.

He never got the chance to take it on. In 1989 Squibb was the junior partner in a merger with US rival Bristol-Myers, and Leschly left to spend a year on a philosophy and religion course at Princeton University, New Jersey.

There is bitterness in his recollection of life at Squibb. He says he resented the autocratic leadership style. He describes the power of the chief executive's position at Squibb as "US decision-making" and complains that "it was not a team".

How can a tennis player want to be a team player? "Before tennis, I played right-wing for the Danish champion handball team," he says, insisting that running SmithKline is really a team effort.

After his year out, Leschly took on what was, in retrospect, the ideal job. The other big drugs industry merger of 1989 was between Beecham of the UK and SmithKline Beckman of the US. The new company needed a leader without roots in either parent: someone equally comfortable in Europe and the US.

Leschly now has homes in Denmark, London and Philadelphia, the base for SmithKline's US business. In practice he and his family live in the US, although he wants to play this down because SmithKline remains legally a UK company. Two-thirds of SmithKline's shareholders are in the UK.

Leschly argues that the US is where the business is – it accounts for 40 per cent of global prescription drugs sales – so that is where the best managers must be. The fact that the heads of other European drugs companies, including Glaxo Wellcome in the UK and Roche in Switzerland, live in Europe is dismissed as "their choice".

Leschly likes the power and influence that come with running SmithKline. The company only just makes it into the world Top 10, thanks largely to a $7bn series of mergers and disposals in 1994 and 1995. But the ever growing cost of healthcare means that dealing with politicians is part of the job.

He is proud of meeting Bill Clinton and relates how the American president asked him over dinner: "So what should we do with the US healthcare system?" Leschly is convinced that Clinton will try to reintroduce some kind of healthcare reform if he is re-elected next November. Healthcare was the scene of one the worst defeats of the Clinton administration. A complicated set of measures aimed at making employers help provide healthcare cover for the 20 per cent of Americans without it failed thanks to a campaign against it by a coalition of healthcare industry companies and Republican politicians.

"Clinton's become much smarter. He's not going to make the same mistakes," says Leschly. "Something will be done about the 40m Americans who are not covered by health insurance."

The political dinner is *de rigeur* in Europe, too, both with those in power and those likely to gain it, so Leschly has a meeting with Tony Blair, the Labour leader, planned. "He *should* meet us. We [in pharmaceuticals] are probably the most successful business in the UK. We spend $3m a day on research and development."

Leschly says that profound differences remain between both European and US political and healthcare systems. "In Europe I am a conservative, but in the US I am a Democrat." Nevertheless, he believes that some aspects of the US healthcare system will eventually be adopted by European countries.

The US private sector is experimenting with restructuring healthcare around diseases rather than medical disciplines. Instead of seeing doctors in the emergency room, chest medicine and X-ray, an asthma patient would be seen by asthma specialists.

Would this not help the drugs industry, an area where products are already sold according to type of disease? Yes, but drugs save money by allowing a patient to be treated at home. Drugs might cost hundreds of dollars a year but hospitals cost hundreds of dollars a day, says Leschly.

Next week Leschly returns home, as he does each August, to his beach house north of Copenhagen. He will shortly celebrate his 56th birthday, and has almost taken on guru status in his home country.

"People don't ask for my autograph like they used to when I was in tennis, but I was Dane of the Year in 1994 and they like to put me on hour-long interviews on the TV."

He shrugs and grins when he talks of speaking Danish with his family at home in Philadelphia and of how his (tennis-mad) children are Danish, not US, citizens.

But he swiftly returns to business mode. There is work to be done, even on summer holiday. Last year's beach reading was *The Quest for Value*, 780 pages on the valuation of companies. This year Leschly plans to browse through something even weightier: the latest work on genomics, the study of human genes.

'If you don't keep score, you're just practising,' says Jan Leschly

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NAMES IN THE NEWS

Sunbeam feels the heat as Dunlap makes his move

These are nervous times for the 12,000 employees of Sunbeam, the US household appliance maker, writes Tony Jackson in New York. Their new boss as of a week ago, Albert Dunlap – "Chainsaw Al" to his friends – has chosen today to start overhauling the company.

His opening diagnosis: "Sunbeam has too many people, too many products, too many facilities and too many headquarters." Dunlap has started axing Sunbeam's top management and has brought in an old henchman from previous corporate restructurings, Russell Kersh, to handle finance and personnel.

The recipe is gruesomely familiar. In his short stay as chairman of the tissue maker Scott Paper, Dunlap got rid of almost all the top management and 20 per cent of the workers. He then sold the business to a bigger competitor, Kimberly-Clark, for around $9bn (£5.7bn).

His re-emergence at Sunbeam is behind schedule and diminished in scale. After finishing with Scott, he had promised to secure his next victim by the start of this year. And, with an initial market value of $1bn, Sunbeam is a third of the size of Scott when Dunlap took it on.

Perhaps this is not surprising. Within weeks of the Scott sell-off being completed, the phone giant AT&T announced 40,000 job cuts. There was revulsion among the American public and Newsweek ran a lead story entitled "Corporate Killers". Prominent among those displayed on the cover was Dunlap.

He is unrepentant. "For the good employee," he told an analysts' conference call last week, "I'm the best boss they ever had in their life. If they're a bad employee, that's their problem, not mine."

For all Dunlap's bombast, he has a consistent strategy for picking his targets: old-established US manufacturers, with strong brand names, which have fallen on hard times. Under the Sunbeam and Oster names Sunbeam makes a wide range of electrical household goods, and fits the bill.

Wall Street is in no doubt. Since the appointment was announced 10 days ago, Sunbeam's stock has risen from $12½ to almost $20. As Dunlap told the analysts last week: "I just bought $3m of stock, and I love every dollar like a brother."

Cortina in driving seat at Repsol

Alfonso Cortina, the millionaire new chief of Repsol, Spain's biggest industrial conglomerate, has a hard act to follow, writes Tom Burns in Madrid. His predecessor, Oscar Fanjul, had over the last decade built a clutch of state-owned hydrocarbons companies into a formidable oil, gas and chemicals group.

But Fanjul, who was appointed by a socialist government, fell victim to the corporate changeover that followed an electoral win by the centre-right Popular party. Professional considerations that have nothing to do with jobs for the boys were behind the decision to recruit Cortina. His business ability enabled him to survive a 1989 divorce scandal involving his brother Alberto, their cousin, Alberto Alcocer, and two of Spain's richest women, Esther and Alicia Koplowitz. The sisters got rid of their husbands but, well aware of Alfonso's worth, asked him to run Portland Valderrivas, the big cement group which is one of the jewels in the Koplowitz crown.

Cortina is determined to pump up Repsol's downstream muscle in Latin America and to exploit cogeneration possibilities in Spain. He also wants to steer through the disposal of the 10 per cent of Repsol that remains in government hands. After that, he will probably stay on as chairman.

Stephanie Flanders · Economics Notebook

The work-wages puzzle persists

Countries may not have to live with higher inequality to create more jobs

Economists have drawn a grim lesson from labour market trends in the US and Europe since the mid-1970s: that these days you can ensure high levels of employment for the unskilled, or decent wages, but you cannot have both. The widespread acceptance of this fact of 1980s and 1990s life has had a deep effect on mainstream political debate on both sides of the Atlantic. Which might be thought a triumph for the power of intellectual enquiry over dishonest populism – were it not for the fact that the economists may turn out to have been wrong.

Faced with a Hobson's choice, politicians, as a rule, would rather do nothing. They know that they can no longer promise both high employment and high wages. Yet they can hardly be seen to be embracing one at the expense of the other.

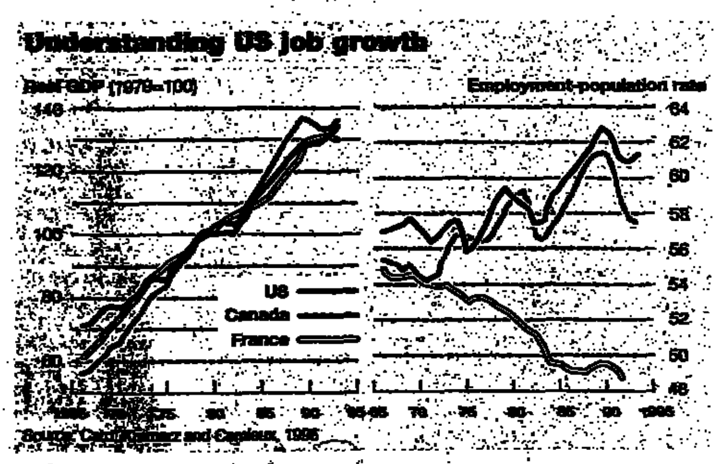
The result is that even progressive types, for all their outrage at the worst deterioration in conditions at the lower end of the European and US labour markets since the Depression, are painfully silent about their solutions.

The story behind the Hobson's choice is a familiar one. For various reasons – be it technological change, increased trade from developing countries, or immigration – the relative demand for less skilled labour has been declining in Europe and North America for the best part of 20 years. By allowing the relative wages of the unskilled to fall, the "flexible" US labour market was able to keep the nation employed, but at the cost of rising inequality and working poverty. Faced with the same changes in relative labour demand, rigid old Europe was able to forestall large rises in wage inequality, but put millions on the dole in the process.

Yet even the Organisation for Economic Cooperation and Development is beginning to wonder whether this is the whole story. A discussion of the subject in its latest annual *Employment Outlook* concludes that the relative flexibility of the US (and, to a lesser extent, UK and New Zealand) labour markets can explain why inequality has risen more sharply in these countries than in continental Europe. But they do not believe that wage flexibility – or the lack of it – can necessarily explain the countries' differing experiences on the employment front.

As the report notes, one quarter of all full-time workers in the US are in low-paid jobs, compared to less than 6 per cent in Finland and Sweden. That does not seem to reflect any difference in the skill levels across countries: fewer than 10 per cent of workers in France with an upper secondary education have low-paid jobs; compared to nearly one third of similarly educated workers in the US. What it does reflect, according to the authors, is the institutional context in each country: low levels of unionisation and a declining real minimum wage in the US, and higher levels of both in most European countries.

So far, this fits the standard view. But if a decline in relative wages for the unskilled were actually the cause of higher job creation in more flexible countries, we would expect this to be reflected in relative levels of unskilled employment. The organisation can find no correlation between the employment – or unemployment – of unskilled workers in a given country and the amount of low paid work.



It is more or less impossible to draw airtight conclusions about causality in this area, not least because the sample of countries is so small. (Does one, for example, truly think that Luxembourg's labour market experiences should be awarded the same weight as those of the US?) Nevertheless, the OECD's tentative rejection of the employment-wage trade-off is echoed by other recent research, including a paper by three economists from the US, Canada and France.*

The study compares changes in wages and employment rates for different age and education groups in all three countries since the start of the 1980s. Like the OECD, the authors believe that similar forces were working to reduce the relative demand for unskilled labour in all three countries during the period.

That reduction in demand showed up in large declines in relative unskilled wages in the US, some decline in Canada, and no fall at all in France. Yet, according to the authors' research, this did not have much effect on changes in unskilled employment rates.

"In the US, the relative employment of lower-wage groups declined over the 1980s . . . in Canada and France, where one might have expected relative wage rigidity to lead to even greater employment losses for low-wage workers, the patterns of relative employment growth over the period are virtually identical to the US." The implication is that declining wages did not directly shield unskilled US workers from declining labour demand during the 1980s.

What all this implies is that one must search for another explanation for higher employment growth in the US than simply "pricing workers into jobs". Many Europeans have been tempted to argue that the US success can all be put down to a higher average level of aggregate demand. Yet that cannot be the complete answer, either.

As the chart shows, real GDP has grown at roughly the same rate – 2.5 per cent per year – in both the US and Canada since 1980. Real growth in France was only slightly slower, averaging 2.3 per cent during the period. We are still left needing to explain why in the US this demand translated into high employment growth, and consequently low rates of increase in output per head, while in continental Europe it delivered reasonably high productivity gains and soaring unemployment.

For its part, the OECD, somewhat elliptically, suggests that "other factors", such as overall labour market conditions and institutional differences in training, may provide an answer to the jobs growth puzzle – at least in the case of younger workers. Yet the lack of a clear explanation ought to worry all those policymakers trying to think up "realistic" ways of improving labour market outcomes for the least well off. If history is any guide, it is likely to be some time before economists possess a clearer understanding of why the US has been able to produce more jobs. Assuming, of course, that they ever do.

**Changes in the relative structure of wages and employment: A comparison of the US, Canada and France:* David Card, Francis Kramarz, Thomas Lemieux, NBER Working Paper 5487, March 1996.

MANAGEMENT

Poetry is one component of Boeing's strategy to avoid complacency, explains **Michael Skapinker**

Workers' ideas taken on board

Philip Condit, the newly appointed chief executive of Boeing, the US aircraft maker, recites a poem about what to do if you are lost in a forest.

Stand still.
The trees in front of you
And the bushes beside you
Are not lost.
Where you are is called here.

The poem is based on a story told by Indians in the Seattle area, where Boeing has its headquarters. It was recited at a Boeing gathering by David Whyte, a poet and story-teller the company engaged to talk to its senior managers.

What does the poem mean? "That you've got to pay attention to the market," says Condit. "That you've got to look at where you are."

Condit, who took over as chief executive in April, finds Boeing where it is accustomed to being: number one in the world aircraft manufacturing industry. He knows, however, that the group has no automatic right to stay there.

Boeing's manufacturing processes have only started to catch up with those of other aerospace companies and still fall short of the standards set by, for example, the car industry. Only in the last few years has Boeing begun to ask its customers, the airlines, what sort of aircraft they want. And Airbus Industrie, the European consortium which is Boeing's nearest competitor, has decided to turn itself into a limited company, which should streamline its decision-making and lower its manufacturing costs.

Condit, who has never worked for any other company, is only the seventh chief executive to head Boeing since its formation in 1915. To some, it may appear that he is taking over at a fortunate time. Although Condit became Boeing president in 1992, it was his predecessor as chief executive, Frank Shrontz, who had prime responsibility for steering the company through the severe recession of the early 1990s.

It was Shrontz who had to face the humiliation of seeing Airbus take more orders than Boeing in 1994 – the first time since the advent of the jet age that the US company had been dislodged from the top spot. Shrontz was still in charge last year when the company shed 12,000 jobs and suffered a 10-week strike.

Shrontz is still chairman but expects to step down in a few months. Condit inherits a far more confident company. Boeing won its top slot back last year, taking 346 orders to Airbus's 106, although the European manufacturer has had a strong start to 1996. Airline profits are improving and Boeing's aircraft production is increasing. The company plans to take on 8,000 workers this year, including some of those it let go in 1995.

Condit's most important task is to continue shaking Boeing out of its complacency. Unlike US car manufacturers, Boeing has never had a Japanese competitor. Its principal US rival, McDonnell Douglas, is struggling to stay in the civil aircraft business.

Airbus, however, has managed to win a third of the aircraft market over the past few years. It began building more sophisticated aircraft than Boeing, incorporating "fly by wire", which allows wing and tail surfaces to be controlled electronically rather than mechanically.

Manufacturers such as British Aerospace, which makes wings for Airbus, developed factories more automated and better organised than Boeing's facilities.

BAe had faced the prospect of almost going out of business, an experience that galvanised its organisation, resulting in radical changes and the loss of thousands of jobs.

The threat to Boeing was less urgent. Shrontz had to persuade his managers and workforce to change even though few of them believed Airbus was likely to win more orders than Boeing on a consistent basis. In the early 1990s, Shrontz began sending managers on visits to Japanese companies in other industries, such as Ricoh, the office equipment maker, Hitachi, the electronics group, and Toyota, the car manufacturer.

The visits to Toyota in particular convinced Boeing managers that they had a lot of catching up to do. As one Boeing manager says: "We saw that there was a different way from the Boeing way." Managers told employees they would have to cut production cycle times in half.

At Everett, 30 miles north of Seattle, managers show off early results of the campaign to improve Boeing's competitiveness. Boeing's Everett factory is a place invoking endless superlatives.

The main aircraft assembly hall is the biggest building in the world. It covers nearly 100 acres and its interior is as high as an 11-storey apartment block.

The Boeing 747, the biggest aircraft ever made, with more than 400 seats, is built at Everett. So is the 767 and Boeing's most recent aircraft, the 777. The factories take in components from 1,700 suppliers.

But because the 747 was first developed as long ago as the mid-1960s, its design is still on two-dimensional line drawings rather than in a digitised form.

The result is that components for the 747 can vary slightly in size and shape, causing wastage and adding to costs. This is a significant problem – the Boeing 747 has 6m parts.

Another difficulty in building the 747 is that while Boeing traditionally did not consult much with carriers when it decided to build an aircraft, it allowed the airlines to specify in detail what they wanted inside. The position of toilets and galleys varies widely on the 747. Airlines specify where they want them to be and Boeing complies. This, too, adds to manufacturing costs: there are 120 possible locations for a toilet on a 747 and 110 for a galley.

The building of Boeing's most recent aircraft, the twin-engined 777, which carries up to 400 passengers, provided the group with an opportunity to do things differently. Instead of simply presenting airlines with a new aircraft, Boeing asked eight carriers – including United Airlines of the US, British Airways and Japan Airlines – to help design the 777.

The 777 was designed completely on computer, providing greater precision in component manufacture and enabling Boeing to assemble "snap together" aircraft. The 777 was also designed so that the toilets and galleys could slide into whatever position the airlines wanted, instead of having to be installed into fixed positions, as in the 747..

Boeing has now taken the lessons of building the 777 and begun to apply them retrospectively to the 747. The group has begun to digitise the old 747 design drawings. It is a lengthy process, which will take until 1998 to complete but it means that Boeing will have digital designs when it begins building the 747's successors – the "stretched" 747s or "super jumbos" which will carry over 500 people but which will be based on the original 747 designs.

At the same time, Boeing has been running a series of "accelerated improvement workshops", aimed at getting employees in its factories to suggest ways of speeding up production. Condit admits that persuading shop floor employees to contribute to these programmes was not easy in an organisation which had seen redundancies and a prolonged strike.

"I think that's the job of leadership," he says. "In any company you can find some areas where amazing things are happening and other areas where they aren't. And invariably that traces back to the willingness of leaders to listen to people. I find most people have a lot of pride in what they do. If they're cynical it's because they tried a bunch of times to propose solutions and nobody would ever listen."

Some of the employees' ideas have resulted in substantial changes. When the company asked workers assembling the 777 how to speed up production they suggested a reduction in the number of holes in the fuselage. The 777 fuselage had 6,000 holes, into which the fasteners that keep the various components together are inserted. By increasing the diameter of the fasteners, Boeing engineers calculated they could reduce the number of holes to 2,500 – a process which will be completed by March next year.

Some of the ideas the Boeing workers came up with were more straightforward. Instead of spending valuable time trying to line up platforms, scaffolding and machine tools against aircraft fuselages, the workers asked whether it wouldn't be simpler to paint white lines on the floor showing where everything went. This has now been done.

Employees who put up the rail inside the aircraft to which overhead lockers are attached had another suggestion. To measure the distance between the fasteners that fixed the rail to the aircraft, Boeing had devised a complicated machine. Almost too heavy to lift with one hand, it had several moving parts which marked the spots on the rail where the fasteners went. The machine had to be maintained and serviced. At the employees' suggestion, Boeing replaced the machine with a simple plastic template with holes drilled in it, which indicated the position of the fasteners.

Why hadn't Boeing managers thought of this themselves? Aren't some of these solutions ridiculously easy? "Oh absolutely!" says Condit. "In fact, almost always when you look back at what you thought was a tough problem the solution looks embarrassingly easy. The problem is we all come equipped with maps in our heads. We know how things work and until somebody says it could work in a different way, and we're willing to listen, it's very hard to see it."

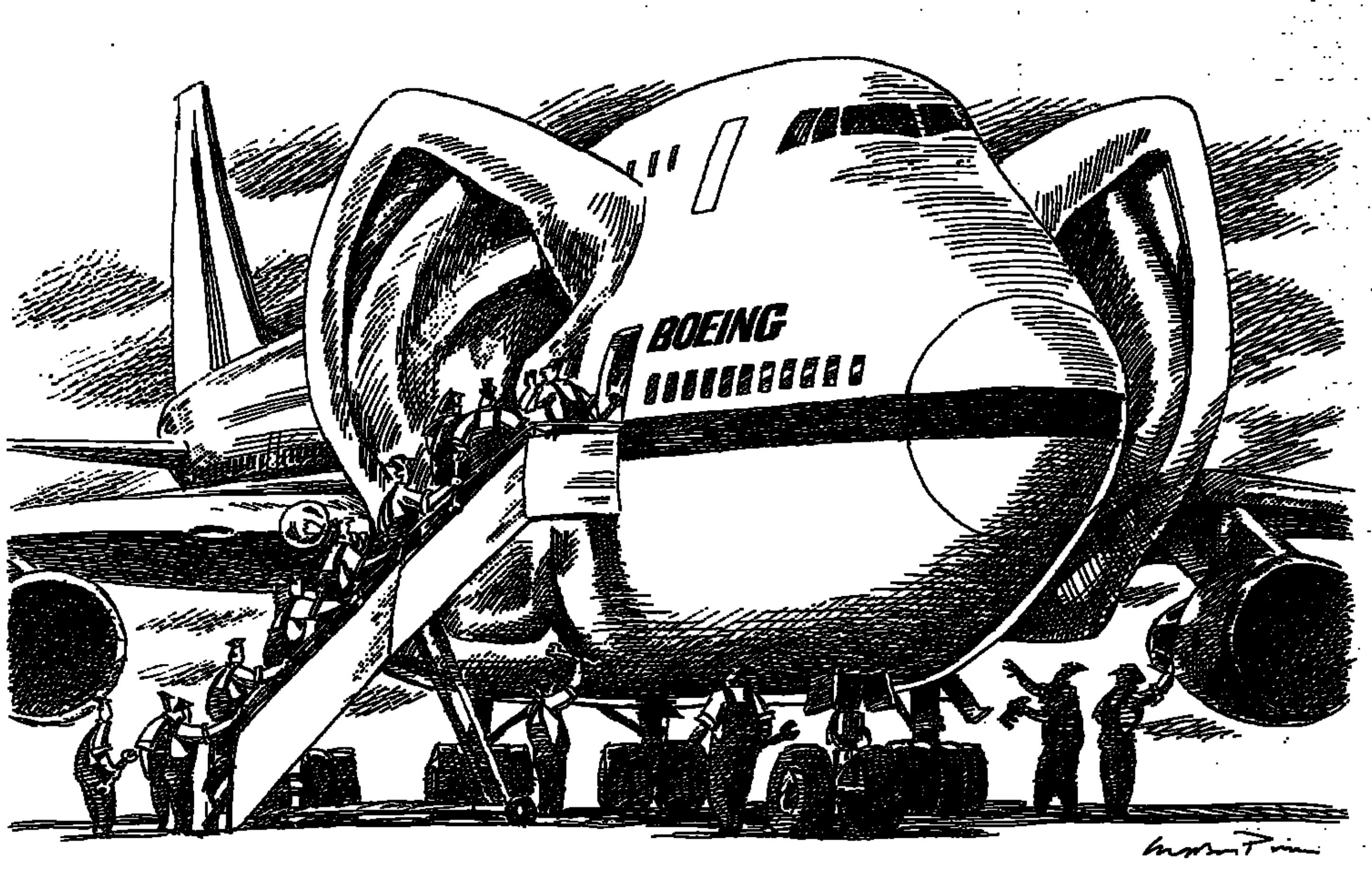
Asking his managers to listen to poetry is one way that Condit uses to try to get them to view their work in a new light. He says it is an initiative which has been widely misunderstood. "The image is the coffee house and there's this guy up there reading poetry to a bunch of bemused managers. David Whyte is fundamentally a story-teller. David can tell a story about an experience and use it to illustrate a way of thinking about things which allows you to say, 'Gee, I hadn't thought about it that way'."

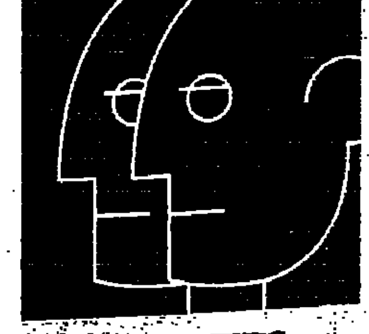
Condit also plans to encourage new ideas by recruiting a wider variety of employees. Boeing is overwhelmingly white and male. Work has started on building a child care centre at Everett to make it easier for mothers to work there. He wants to see Boeing become ethnically more diverse too, although he dislikes the idea of setting targets or quotas.

"I'm a believer in diversity in the broadest possible way – people with different experiences, different backgrounds, different training – because I think it makes the product better," he says.

The ideas generated by staff have had some effect. Edward Renouard, Everett's general manager, says cycle times have been reduced by 20 to 30 per cent. He says Boeing will reach its target of a 50 per cent reduction, not by doing anything dramatic, but by continuing to ask staff for suggestions.

Renouard says: "They've got a lot of ideas which I think maybe we've ignored in the past. Boeing is like a lot of US and UK companies, always looking for major breakthroughs. What the Japanese do so well, and what we're encouraging now, is to take small incremental steps."





PARTNERS

Pizza Express

Luke Johnson and Hugh Osmond, both 34, became partners in a student nightclub while studying medicine at Oxford University 16 years ago. Many business ventures later, they now control Pizza Express plc. Their annual turnover is £60m.

Luke: "Hugh is very ambitious, very intelligent and very persistent. He likes to see things through to their conclusion and is much better at finishing things off. I can be a bit of a dilettante. He enjoys difficult negotiations and legal rigmarole which I find tedious. We've both got strong personalities but over the years I've learned to respect his skills and intelligence.

If he's being particularly forceful and determined I'll know he's talking from a position of strength. He's a rational fellow, more organised than I am. He probably gets frustrated with my chaos.

I don't think either of us are great man-managers although I might have the edge. He prefers to work from home whereas I flit from home to the office because I get bored working on my own.

The good thing about Hugh is that he's interested in business. Neither of us has fallen into the 'I'd rather be' syndrome which happens to a lot of business people after a few years. He's better than I am at not getting too carried away with work. He takes his sport seriously and enjoys dangerous pursuits which is not something I share. I'm much more irritable than Hugh whereas he never gets depressed. One of the great things about working with a friend is that the friendship bit holds you together when business frustrations threaten to impair the partnership."

Hugh: "Luke is more artistic and creative than one might expect from someone in business. He's interested in creating new things, seeking out new deals, new businesses. He'll trek for miles looking at potential restaurant sites. He looked at dozens in the City before finding the latest Pizza Express premises in Alban Gate. I don't like crawling around places, going to pointless meetings on the off-chance of a potential deal.

I prefer to stay in one place and not get distracted. Luke enjoys reading up and spending time in libraries. He'll come up with 500 ideas, then we'll sit down together and find the one with the most potential. He's good at ideas and presentation, whereas I'm good at negotiating with the other side.

Luke is the first stage and the last; I do the stuff in the middle. I like unravelling problems. To me, a really good business deal is like playing six-dimensional chess, whereas Luke loves the excitement of new business, the telling and selling. He can turn on the charm and give good presentations. I prefer one-on-one and don't like giving speeches.

Neither of us likes wearing suits and, like me, I doubt he's got a designer label in his wardrobe. Although we don't look alike, everybody we meet confuses our names. It's only a matter of time, in any deal, when someone gets our names the wrong way around. It must be the U sound. In fact, on two occasions he's called me Luke, but I've never called him Hugh."

Fiona Lafferty

Dealing with the Popo problem

ADRIAN FURNHAM

You find them in all organisations – the passed over and pissed off (Popos). They are frequently in late middle age, of limited education and qualifications, and have an "impressive" service record. They have been led to believe that they will be steadily promoted. However, this has not occurred for two reasons. Either someone has decided that they are Peter Principled (promoted to their level of incompetence) or the organisation has been downsized or rightsized and there is nowhere for this person to be.

The Popo presents a great problem for the manager. Three strategies sometimes work to deal with them. One could "raise the game" by setting higher targets which may encourage them to leave. The second may be to counsel them out by offering early retirement or perhaps help in starting their own business. The third is to surround them with young, bright enthusiastic people who show up both their sourness and incompetence.

The Popo is clearly a problem. Organisations that have too many of them and do not deal with them soon become chronically constipated. A laxative management style is clearly a requisite if some organisations are to be healthy.

Most human resource departments are encouraged, or indeed forced, to measure the efficacy of training. Perhaps the most common, simple, but least valid, method is through post-course "happy sheets". These are evaluation forms of varying length which request that trainees rate the course, the trainer, the venue etc.

One of the consequences of this assessment method has been the emergence of the entertrainer. Somewhere between a comedian and a story-teller, the entertrainers become the soap-box orators of the education world. With quick quips, fancy slides, electronic gizmos, funny videos, and a host of tall tales the entertrainers realise one way of getting maximum marks on the happy sheets.

The fact that few skills are learnt doesn't worry the entertrainer. He or she knows participants enjoy the cabaret style "training", rate them highly and hence are likely to be re-employed or retained if the happy sheets are the only measurement criteria. This doesn't mean training can't be fun. Or that funny stories are a no-no. But it does mean that happy sheets will not suffice as a sole criterion of training success.

It is usually only on an anniversary that organisations look back. It may be the death of the founder; the millionth customer; or the 50th year since being formed that encourages the historical overview.

Usually these anniversaries are simply used as a public relations opportunity. The glance back is cursory and more associated with nostalgia than analysis.

However, some organisations employ business historians to write their story. Unfortunately this is rarely done at the departmental level and so the history of numerous campaigns, thrusts and initiatives is forgotten. It is particularly striking if high turnover in senior positions means there is no record of previous attempts to solve major problems.

Organisations are surprisingly amnesic. Sensibly-kept records of the introduction of systems, initiatives and processes provide invaluable evidence, not only for the historian but the manager at the coal-face.

The aphorism is equally true in business: those who know no history are condemned to repeat it.

Few business meetings start on time. The corporate culture dictates not only how late a start is acceptable but how the organisation deals with latecomers.

Most institutions in this country simply wait 10-15 minutes for the latecomers whatever their excuse. In effect this punishes the on-time performers and rewards the laggards. More up-beat, macho organisations, or simply those for whom time-consciousness is part of their product or service, devise ways to deal with and eradicate this problem.

Some organisations lock the door at the assigned start-time, as they do in the theatre. Others fine latecomers (say 50p per minute) and give the resultant "pot" to on-time performers to spend perhaps on a drink at the end of the day, a light lunch or a celebratory cake.

Another technique is to humiliate the latecomer. Some chairmen and women draw attention to the latecomer skulking in hopefully unobtrusively. One group tries an odder, one-off, strategy. They agree with the on-timers that when some specific person says a particular line (for example, "the executive committee decided" or "according to the strategic plan") everybody laughs out loud. The puzzled late-comers are usually somewhat bewildered and know they have missed something. You can't use this strategy too often but it can have considerable impact.

BUSINESS EDUCATION

Conner Middelmann visits a training ground in Reading which hopes to produce tomorrow's financial wizards

Practising for a secure future

A news headline flashes across the computer screen: "Bundesbank cuts Lombard, discount rates by ¼ point."

The neon-lit room, filled with rows of Reuters, Telerate and Bloomberg computer terminals, erupts into action. Foreign exchange rates start flashing on the screens as currencies begin to fluctuate, dealing phones ring from all sides and traders frantically buy or sell currencies, trying to capitalise on this latest piece of market-moving news.

This is not the dealing room of a City investment bank, however; the traders are not real and the transactions are fictitious. It is the simulated dealing room of Reading University's Isma Centre, named after its sponsor, the International Securities Market Association in Zurich. The dealers are students working towards an MSc in international securities, investment and banking.

This nine-month course, launched two years ago, differs from most postgraduate degrees in finance and banking in that it stresses the importance of practical experience to back up the theory. Such methods are already practised in some Australian and US institutions – notably at the Massachusetts Institute of Technology, which recently installed a \$3m (£1.9m) simulated trading floor for its master of business administration (MBA) students – but the Isma Centre claims to be alone in Europe to promote this hands-on approach.

"We aim to integrate a set of practical skills into each theoretical module we teach," says Brian Scott-Quinn, director of the centre. "Some people feel that practical work compromises the theoretical teaching process, but we believe that without experiential learning you never actually know what it's really like out there."

"Out there" is the rapidly changing world of investment banking, where fierce competition and the increasing complexity of products mean that many institutions are keen to recruit well-trained staff who can hit the ground running, rather than generalists who need months of training.

"Our graduates are more immediately profitable – they can start to generate income more quickly and safely than most graduate trainees," Scott-Quinn says.

Many students see the course as a stepping stone into London's financial services industry – for some a long-cherished dream.

"I've wanted to work in the City since I was 17," says 23-year-old Nathan Henshall, who has already secured a position at Bankers Trust, the US investment bank. "With a degree in accounting and economics from the University of Bangor, that wouldn't have been easy. But because this course is sponsored by Isma, I feel it's a passport to the City."

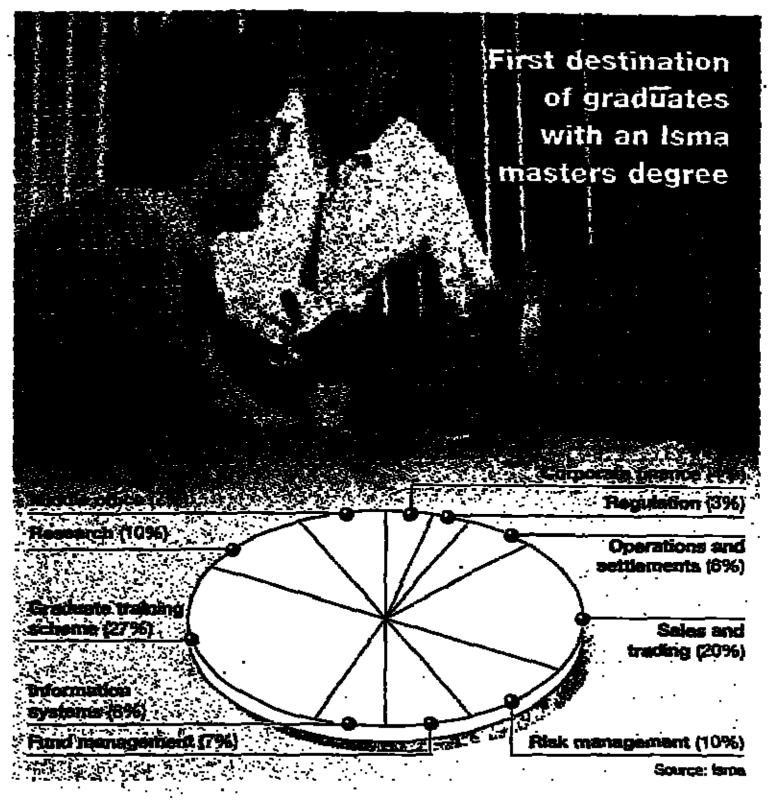
Isma has the dual function of being a trade association and market regulator for the international securities markets, with 850 member institutions.

Nearly half the students come to the centre straight after their undergraduate studies, although 20 per cent have had at least seven years' work experience. The course has an international flavour, with 39 per cent of students coming from continental Europe, 26 per cent from the UK, 13 per cent from North America and 12 per cent from Asia and Australia.

To Rosemarie Flynn, 21, the main attraction of the course was its practical approach. With a bachelor of commerce degree from the University of Cork, she already had some understanding of investments and markets, "but didn't know what really went on inside the industry".

The course also helped her identify what areas of the business she is most interested in. "I had thought about trading, but after doing the course I realised it's not for me. I'd prefer to do something more analytical and long-term, like corporate finance."

The Isma centre plans to launch a three-year BSc degree in international securities, investment and banking in 1997, to coincide with the planned completion of a £2.5m building on Reading University's campus. Starting in 1997, it will also offer residential summer programmes and seminars for people who already work in the securities industry. A part-time London-based MBA course is also in the works.



NEWS FROM CAMPUS

International rescue for Russian fair

The American Business Centre in Nizhny Novgorod, which is operated by Thunderbird, the American graduate school of international management, has been selected to organise the US business component of the 1996 annual All Russia exhibition. The trade fair in Nizhny Novgorod (formerly Gorky) is Russia's oldest and largest fair.

The Business Centre is signing on American companies who want to participate in the exhibition. *American Business Centre: Russia, 8312 37 22 13.*

Americans first to get satellite education

International satellite organisation Intelsat is sponsoring distance learning initiatives, beginning with a summit on distance education to be held in October at its headquarters in Washington. Intelsat will then work with other sponsors to set up a distance learning network for the Americas, offering free satellite time for appropriate material.

The pilot network will be a model for similar networks elsewhere in the world. *Intelsat: US. 202 944 7500.*

How to manage to the highest quality

Managers concerned about day-to-day quality issues could find some answers in the latest publication from the Management Charter Initiative.

The Good Quality Manager's Guide deals with how to develop a quality culture, how to support a organisation's quality vision and how to assure quality. The book costs £12.99. *MCI: UK. (0)171 872 9000.*

MBA shuffle for Manchester faculty

Manchester Business School has appointed a new director for its post-graduate centre, which offers a wide range of postgraduate degrees including the master of business administration. He is Peter Barrar, who joined MBS in 1982. Francis Buttle takes over as director of the full-time MBA programme and Peter Naudé becomes programme director of the part-time MBA. *MBS: UK. (0)161 275 6333.*

Travel News · Roger Bray

Paris goes electric

Business travellers to Paris may now do their bit to fight global warming by renting electric cars. Eurodollar is offering the Citroën AX at five locations, and says the cost – FFr455 (£57) a day, including unlimited mileage, taxes, collision damage waiver, theft protection cover and personal accident insurance – is less than for hiring an equivalent petrol-driven car.

The company says it is "conscious of the ever-present need to protect the environment, especially in large cities where pollution is a sensitive issue". A bonus is that Paris car parks, 25 of which have power points where batteries can be re-charged, are free to electric car drivers.

Seattle's third runway

Seattle's politicians have voted to build a third runway at the city's main airport, but local residents will fight to stop them. Regular travellers grumble that when fog blankets Puget Sound, jets stack up, then peel away to land at Portland, Oregon, or across the Canadian border in Vancouver. Backers of the $455m (£291m) project claim it will enable Seattle's airport to cope with expanding traffic well into the next century. Opponents argue that it is just a stop-gap, and say a completely new airport will eventually be needed.

Back seat check-in

Virgin Atlantic is planning to issue its Upper Class passengers with boarding passes and relieve them of their luggage in the comfort of a limousine. Customers using the free, chauffeur-driven service to London's Heathrow airport will be driven to a desk in the short-term car park at Heathrow's Terminal Three. A staff member will sit in the limo with them, check them in and ask necessary security questions. Then passengers will be dropped at the entrance to the departure area, where they can walk straight to the airline's lounge.

Amsterdam offers

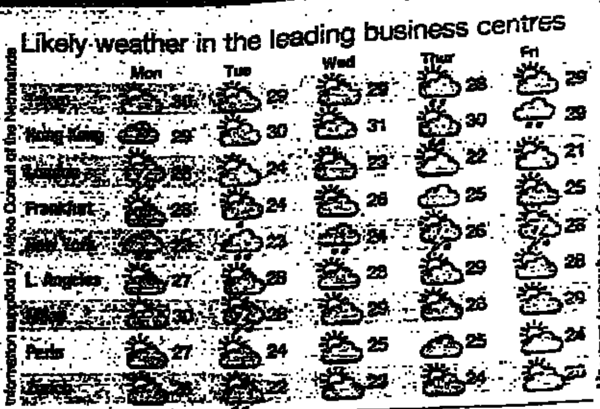
Cut-price flights via Amsterdam's Schiphol airport to central America and the Caribbean are on offer from KLM through the London-based travel firm Trailfinders. A round-trip fare of £450 is available to Panama City and San Jose, Costa Rica. Prices to the islands of Curacao, St Maarten and little-known Bonaire – whose exotically named Flamingo airport salutes the estimated 10,000 flamingos that live there – start at £369. Fares quoted do not include taxes. They are valid for departures until September 30.

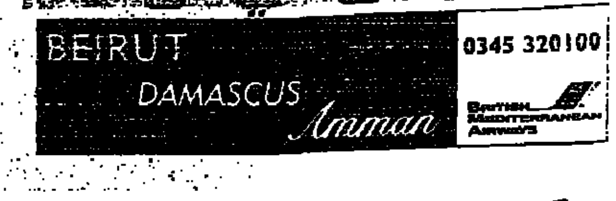
Chinese politics

Aviation and politics make an intriguing mix. In particular, mainland China and Taiwan are involved in a brittle stand-off. Airlines are not allowed to fly directly between the two countries. Meantime, Hong Kong is due to be handed back to China next year. This week, Taiwan's EVA Air starts flying to Hong Kong from the Taiwanese capital, Taipei. The service is part of an agreement between Hong Kong and Taiwan which is designed to last long after the hand-over. The Taipei-Hong Kong route is one of the world's busiest. It already sustains over 200 flights a week, and EVA will add another 16.

Düsseldorf tenors

Stuck in Cologne over the weekend of August 24-25? The Hyatt hotel will get you tickets for the Three Tenors open air concert in Düsseldorf that Saturday evening, drive you there and provide snacks and champagne to liven the wait. A two-night stay (Friday and Saturday) costs DM685 (£292) including extras such as a gala dinner. Tickets are priced separately.





Amon Cohen says the industry estimates there are now more than 5,000 travel-related Web sites

Rescue in cyberspace

A harassed business traveller recently found salvation at Café Internet in London's Victoria. The visitor from the US was staying at the nearby Rubens Hotel and was due to give a presentation the following day at American Express for a £1m contract.

His presentation was contained on his laptop computer. The problem was he had lost his laptop at Heathrow airport. Fortunately, Café Internet, one of the growing number of cybercafés that offer a computer terminal and a chance to browse the World Wide Web, in addition to refreshments, was able to help.

"From one of our computers, we remotely logged into his office computer, found the presentation and downloaded it to the café, where we printed it on to acetate," says Café Internet owner Gavin Sheppard.

For most business travellers, however, the chief interest in the Internet is the continuing proliferation of travel-related Web sites, of which there are now 5,000, according to industry estimates. Many can be found in a UK-based print directory called */travmag/*. For details, see the magazine's own Web site at *http://www.demon.co.uk/travmag/*.

In addition to a rapid increase in the number of these sites, the past year has seen many converted from little more than information centres into online booking facilities. A visit to one of the newest reservation services, launched earlier this month by Inter-Continental Hotels & Resorts, provided a good example of recent progress.

Pages are cleaner and faster to access. There are more graphics than in earlier models, and they are far sharper. The Inter-Continental site (*http://www.interconti.com/*) provides several photographs of each hotel, plus a map of its location and a layout.

Inter-Continental's Web site also provides easy connections to the reservations sites of its airline and car hire partners, and to useful related information pages on weather forecasts and exchange rates. In a sense, Inter-Continental is doing little more than offering an alternative outlet for the same product it distributes through travel agents and telephone reservation centres.

Yet one of the fascinations of the past year has been the development of new products that exploit the potential of cyberspace. Example: the cyberspace auctions conducted in the US by American Airlines and Cathay Pacific, where the carriers put seats on the market and offer travellers a chance to tap in bids.

Similarly, American Airlines is offering Net SAAver fares – essentially, discounted last-minute fares – for as little as 10 per cent of the published tariff. Last-minute fares have long been familiar in the chartered aircraft market, but it was only the Internet which provided American with a cost-effective method of marketing and distributing its distressed stock of scheduled seats to the public.

The idea is catching on. John F Davis III, Dallas-based president of TravelWeb, says that he, too, is poised to introduce auctions and last-minute rates for the 8,000 hotels which sell rooms through his service. TravelWeb (*http://www.travelweb.com*) is becoming a formidable force on the Internet, with 71.5 per cent of 3,000 respondents to a recent online survey by */travmag/* saying it was the travel gateway they used most.

TravelWeb, whose parent recently sold preferred stock worth $7.5m (£4.8m) to Dun & Bradstreet-dominated investment company Trident Capital, is a consortium of 15 of the world's largest hotel companies. It offers what it claims is "seamless connectivity" into the reservations systems of participating hotels, allowing browsers to survey all the rates a hotel has to offer.

Davis says that TravelWeb is accepting more than 100 bookings a day, bringing in more than $750,000 in revenue a month. That could soon rise dramatically. Hertz joined the service last month and 280 airlines are due to be added in the next few weeks.

Despite this burst of activity, one business travel constituency remains ill-served by the Internet. This is the corporate travel buyer and the company on whose behalf travel services are purchased. Most large companies negotiate special rates with leading travel suppliers, but there is no mechanism to distribute them via the Web.

Worse, there is a danger that employees can use the Net to wriggle past company policy and procedure, and book with an unsanctioned airline to rack up mileage points or even fly in a superior class. Such ruses are regularly knocked back when reservations are made by travel agents, part of whose brief is to police travel bookings on behalf of corporate clients.

However, solutions to these problems are imminent. Marriott, which takes 500 bookings a month over the Internet, plans to introduce client identification codes on its site. A customer from, say, Hewlett-Packard will be able to type in a special code for HP employees, and the computer will react by displaying the low rate negotiated by HP.

But the system is still open to abuse if people who are not HP employees discover the code and use it to obtain lower rates than would otherwise be available to them. "They would be silly to do that because on arrival we may ask for their Hewlett-Packard identification," says Peter Dennis, Marriott's marketing automation manager for Europe and the Middle East. "Nevertheless, there is a potential security problem."

Clearly, what is needed, says Dennis, is a properly closed network in which access is restricted to company employees. The formation of such intranets is becoming possible as corporations move their computing platforms from the old 8-bit technology to Web servers, thus giving them a private, customised version of the Internet.

As far as travel is concerned, this gives companies security as well as the ability to tailor travel booking software to their own organisational structures, and ensures that bookings are made only with preferred suppliers. It would also enable companies to collect precise data on who has booked to travel where, and with which airlines and hotel companies – the very information they require when negotiating discounts with suppliers.

At present, TravelWeb is beta-testing just such a private site. As is happening in realms far removed from travel, the Internet is gradually being taken under corporate control.

Sleepless night from hotel bill

Scheherazade Daneshkhu looks at the high cost in Europe of staying away from home

The most stressful part of a stay at a hotel is usually at the end. The receptionist hands over your bill, you gasp – and hand over a credit card.

Hotel prices in Europe have risen steadily in recent years, and the trend is likely to continue, according to consultants Pannell Kerr Forster Associates.

A recent survey of 317 upmarket hotels in the largest European cities found that prices rose last year in local currency terms compared with the previous year, although the strength of Germany's currency (which is used to provide Europe-wide comparisons) produced a small decline in the Euro-average for achieved room rates, to DM203.09 (£85).

Paris has the unenviable reputation of having the most expensive upmarket room rates in Europe, with an average achieved rate of DM380.31. It is followed by Geneva, Moscow and London.

Prices of UK hotel rooms, particularly those in London, have risen sharply. Last year the average room rate in the UK was £60.85 – a rise of 7.8 per cent, according to Pannell Kerr Forster – while constraints on supply in London pushed rates up by 11 per cent to £90.49. Industry analysts believe higher rises are on their way.

Hoteliers can push through higher prices without necessarily raising their publicly quoted room rates. Instead, they restrict discounts or reduce the frequency with which they award discounts.

Pannell Kerr Forster's study shows that despite the rise in room prices in Europe last year, fewer rooms were sold at full rates. The number of full-rate rooms fell to 11.5 per cent of the total compared with just under 13 per cent the previous year.

By contrast, rooms sold at a corporately discounted price increased fractionally to 32.6 per cent from 31.8 per cent.

● Aerobics before brainstorming. Marriott is offering conference delegates the option of clearing their heads with a little instructor-led exercise before they get down to business at 27 of its UK hotels, writes Roger Bray.

"Themed refreshment breaks" also include the offer of root beer and pecan pie served by staff in Wild West outfits – or mugs of tea and bacon sandwiches dispensed by employees in hard hats and donkey jackets. They are part of a new meetings package.

هكذا من الأصل

Your newspaper is ready now

The electronic Daily Me is no longer a pipe-dream, says Victoria Griffith

A casual observation of the way people thumb through dead-tree newspapers may yield important insights into the future of publishing on the Internet. Very few people read newspapers from top to bottom, or even cover to cover. Most flip through the pages, pausing when something catches their eye.

From the outset, performing this filtering job for readers has been a goal of emergent Net publishers – a way of stealing a march on traditional news providers. In fact, customising news into a personalised Daily Me is no longer a pipe-dream.

The last few months have provided a glimpse into the future with the launch of three primitive versions by PointCast, the Wall Street Journal and the Microsoft Network. The services offered by the Wall Street Journal and by the Microsoft Network are alike in that both provide a news service filtered according to subjects nominated in advance by subscribers.

PointCast, in contrast, allows subscribers to receive a personalised computer news service on their desktop machines via the Net, with various options including general news, sport and business. Subscribers can also select companies they want to hear about.

These new services are fuelling debate as to whether individualised news is an achievable – or desirable – goal. Tailoring information may have important implications. Thirty years ago, most Americans tuned into one of three chief television network broadcasters – ABC, NBC or CBS – for their nightly news. Announcers like John Chancellor and Walter Cronkite were fatherly figures who helped guide viewers through the events of the day. The result was often national consensus.

"Fragmentation has already occurred to a large extent, with specialised publications and cable," says Stan LePeak, a Net analyst at the market research company Metagroup. "But the new individualised services could speed that up."

Some see this as healthy. "The thing is that sometimes Cronkite and Chancellor were wrong," says Walter Bender, a researcher at the Massachusetts Institute of Technology's Media Laboratory. Yet LePeak believes the Daily Me may further shield the uninformed from reality. At present, someone might tune into TV's nightly news to get a weather forecast and accidentally hear about Russia's election results. A Daily Me would allow viewers to screen this information out. "This could exacerbate the dumbing down of America," says LePeak glumly.

However, many Net publishers believe there is a good market for more personalised news. "People are facing a real information overload, and this gives them a way of sorting through the chaos," says James Reilly, vice-president of strategy at PointCast.

Yet figuring out what people really want can be a struggle. Early Daily Me versions require readers to identify specific interests: news about particular companies and industries, for example, favourite sports teams, or the weather in specific cities. The problem is that people don't always know what they really want.

James Reilly cites the OJ Simpson trial to make the point. "When the news story first broke, who would we have directed that to?" he asks. "Football fans? Legal scholars? Residents of Los Angeles? The thing is, a lot of people wanted that story, although it would have been difficult for them to have signalled their interest in advance."

Another problem with the Daily Me concept is that the desire for information is dynamic. Someone who lives in London may lose interest in the local weather forecast, for instance, when leaving for a holiday in the Canary Islands. An investor may no longer care about General Electric's results after unloading shares. "People's interests change over time," says Neil Budde, editor of the Wall Street Journal's interactive edition. "And that's one thing this medium has a hard time with right now."

Readers may also delude themselves. A business school student may feel obliged to identify interbank rates as a favourite topic, for example, but spend much more time reading about new restaurants.

MIT's Media Lab is exploring ways of dealing with some of these problems. In one experiment, the computer observes readers' viewing habits to determine what their interests really are. They may have said they're keen on international politics when what they should have said is baseball.

The Media Lab is also trying to link its news service to readers' lives away from their computers. Allowing the service to peek at a subscribers' diary may yield improved customisation. In one scenario, MIT's Daily Me notices a subscriber is planning a trip to Brazil, and sends him a story on tipping customs in Sao Paulo. Or the service might notice that a subscriber makes frequent visits to concert halls, so offers a piece about new research on Beethoven.

While these experiments are promising, they are not yet available on the market. Meantime, Net publications are addressing the problem by offering a large helping of general interest news along with tailored information. "Traditionally, people in the news industry have done a pretty good job of identifying what people will be interested in," says Reilly. "That's why we've formed partnerships with CNN and Reuters for reporting. It's a human filter, so it's not perfect, but it still does a pretty good job."

Yet identifying readers' true interests is only half the battle, say people in the industry. The other half is retrieving articles to fit the bill. Net editors say they are still weighed down by the feast-or-famine structure of today's primitive search mechanisms.

Some engines, such as Ulta-Vista, capture every word in the text to provide a comprehensive data base. The result is often a deluge of pieces of no interest to the reader. A search for information on Columbia University, for example, may sweep up articles on the Columbia River. Other mechanisms, such as Excite, limit their searches to key words. But this method can skip over pieces viewers would find relevant. Computers don't yet look at the world as people do. It is hard for them to understand subtleties of context.

To address the problem, some programs allow groups of cyberspace denizens to dictate the sort of articles selected. The idea is that like-minded people are interested in the same topics. MIT's Fishwrap news service, for instance, shifts the order of news articles depending on how many people at the university are reading them. The more viewers the article attracts, the more quickly it moves to the top of the list.

Because of technological barriers, many readers complain that their experience with early versions of the Daily Me are unsatisfactory. "I tried the Wall Street Journal's interactive edition, but it didn't work for me," says Craig Stracks, a business school student. "The computer didn't seem to grasp what sort of things I'm really interested in."

Advocates of the Daily Me concept say these early attempts were bound to be flawed. "Personalised services are bogged down by primitive technology right now," says Ted Julian, a Net analyst at International Data Corporation. "But as programs get more sophisticated, so will the Daily Me."

Digital sleuth crosses Atlantic

By Stephen McGookin

Ted Evans loves a good story. He is widely acknowledged as one of the world's leading digital designers, and *The Cypher* is his baby.

Part Sir Walter Scott, part HG Wells, part William Gibson, *The Cypher* is a CD-Rom-based sleuth novel which involves the viewer at every step in the unravelling of a series of interactive mysteries.

In the US for the past year, about 250,000 readers of Launch magazine have been following the adventures of 1999 cybersleuth John Shoresby and his ancestors from *the Middle Ages as they try to* crack an ancient code.

The project has won several multimedia design awards in the US. Now Evans and his London-based partner in the production company Crosswater, Pete Brady, plan to tackle the UK market and translate *The Cypher* into French and German. They hope to develop another adventure, with film, video and greater use of the Internet.

The aim is to engage readers, who will participate in a similar way to those who attend hotel murder mystery weekends, says Evans. Players will put the story together themselves, sometimes assuming different identities.

For readers, the identity of John Shoresby, the *Cypher* character living in 1999, has become very real indeed. He has an e-mail address where followers of the novel, either on CD-Rom or through America Online, can send him e-mail. Evans himself assumes the character of Shoresby and replies to the messages. "In 1999 he's supposed to be using Windows 2000, and one of the readers wrote in to say there's no way Microsoft would get it out in time," Brady says.

In 1990, Evans was associate creative director at Watts-Silverstein in Seattle, where he designed multimedia productions for Disney, Nintendo, Apple and Intel. "The greatest thing was being able to get into a medium before it hit, and discovering all its secrets," he says.

In 1994 he formed EPG Multimedia, now a 50 per cent partner in Crosswater, the CD-Rom production unit in the Clearwater group of companies.

Clearwater: *http://clearwater.co.uk*

Cyber sightings

● Coopers & Lybrand's site (*www.coopers.co.uk*) is full of sound information across a range of the group's activities. Its new Business Assurance section features background material and updated news on accountancy, audit and corporate governance issues. Good set of links and the World Cricket Ratings is always worth a browse as well.

● Britain's National Blood Service is celebrating its 50th anniversary this year and its clever Web site (*www.bloodservice.nbs.nhs.uk*) has been put together by the ever imaginative Think Electric. Really nice use of graphics to put across a worthwhile message.

● The Mozambique Relief Appeal (*www.ed.ac.uk/~cmp/moz*) is geared to attracting interest and aid for the Maforga area of this African country. The site makes good use of Frames and gives good background information on the problems and efforts to solve them. An example of using the Net for positive activism.

● If you play the New York state lottery, keep an eye peeled for LottoTRAX (*www.lottotrax.com*), which is being developed. It's a program that tracks your lottery selections and e-mails you if the numbers come up, assuming that you need such a reminder.

● The Commission des Operations de Bourse (*www.cob.fr*) is a dual language French-English site with smart graphics designed by Grolier Interactive. Very simple to use and promises much. A Daily Review feature is under construction.

● The Top 10 Political Sites (*http://top10.imgis.com*) is provided by Politics Now, a collaborative venture between the Washington Post, ABC News and other leading US media groups. It is still developing its content, but has links to the excellent Hotline weekly briefing, and the interactive edition of George magazine.

● The US Environmental Protection Agency has outlined details of its Economy and the Environment programme (*www.epa.gov/docs/oppe/eaed/eedhmpg.htm*) with some interesting research reports and facts on pollution control.

● Junior Chamber International's site (*www.jcihq.com*) has information on this global networking organisation: how to contact it, what its activities are, which are the best branches of Brooks Brothers – that sort of thing. You'll need to use the downloadable Adobe Acrobat reader.

● Standard & Poor's Stock Reports site (*www.investools.com/cgi-bin/Library/sprp.pl*) has analysis and reports on 4,600 US equities, along with headline summaries. The site is organised in a nice, searchable, user-friendly way.

● Finally, if you've nothing better to do, check out Palintune, the Random Palindrome Generator (*www.mousehouse.com/rejoyce/palin*). It calls them up from a huge archive, or submit your own if you're really sad.

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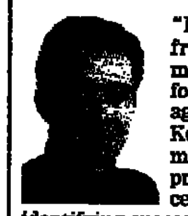
Tim Jackson

Juno hints at shape of things to come



"Follow the free." This maxim, put forward a year ago by Kevin Kelly of Wired magazine, has proved a perceptive way of identifying successful Internet businesses with promise. Kelly's point was that companies able to create a business model allowing them to give their product away, while covering their costs through advertising or some other source, are best positioned to benefit from the lightning speed at which good ideas spread across the Net.

But the practice of giving things away has become so commonplace that Kelly's Law now needs to be modified. One should follow not simply the free, but the newly free: either things that have never been given away before, or things given away in a novel way. A perfect example of both is Juno, a free electronic mail service based in New York, that has just completed its third month of operations.

Free? Yes. Juno's "customers" pay nothing for the software, nothing in monthly subscriptions, and nothing in hourly charges. All they need is a PC, a modem and a phone line, and they can make a free local call into a "point of presence" provided for Juno by AT&T. All the infrastructure, software and marketing costs are covered by displaying ads on customers' PC screens while they work.

There are a couple of clever twists. One is that Juno's software prevents customers from surfing the Web or attaching large graphics files to their messages. Pictures take up more data than words: for example, an average full-page colour graphic occupies about 100 kilobytes of space on a PC, equivalent to 20 copies of this article. So by barring customer access to graphics and attachments, Juno reduces both the average amount of data they send and receive, and the average number of minutes per month they spend online, by something between 80 and 90 per cent. That in turn cuts hardware and telecommunications costs.

The other twist is that Juno customers have to answer 20 demographic questions before they sign on. That allows the company to present them to advertisers not as an amorphous group of readers or viewers, but as an audience that can be targeted right down to the individual. Advertisers are so keen to direct a message only to men of 31 or more who have two children and earn more than \$47,000 (£30,000) a year, for example, that Juno can achieve average rates per 1,000 customers reached that are far higher than the Net average. Current rates are something like 6-12 US cents per customer, depending on targeting, compared to 2 cents for the average Web site. Companies and brands that have advertised include Quaker Oats, Snapple, Miramax, Wired, Okidata and Vocaltec.

The use of computers allows Juno to do more than simple advertising. The company can also carry out online surveys and opinion polls, where demographic information can be used to correct skewed response rates. So a company that wants to try out an advertisement, or test responses to a proposed new brand name, can see what Juno customers think of it before unleashing it on the wider public.

In theory, this looks like a technology where low cost and high speed could put Gallup out of business. "I don't think so," is the superficially modest reply of Charles Ardai, Juno's chief executive. "Gallup will always be needed to reach the population that doesn't have access to computers." Ardai is 26. Juno was his idea. It arose during a brainstorming session inside DE Shaw, a boutique New York investment bank with a technological bent, in which the company's top executives were trying to come up with some Net businesses that would make money. The argument – absolutely correct, in my view – was that e-mail is the only Net activity so far of proven and lasting usefulness. A service that offered e-mail access for free, using a proprietary piece of software, ought to attract enough customers to give DE Shaw a broad platform from which to attack other Net businesses.

That ambition has been fulfilled. In only three months, Juno claims to have attracted more than 180,000 customers.

While AOL or CompuServe might have to offer PC makers a "bounty" of \$40 to put a sample diskette in the boxes they send out, Juno has argued that as its service is permanently free, a Juno diskette offers more value than a mere one-month trial for its competitors – and that PC makers should receive no money for including it.

Juno has persuaded retailers to stock its diskettes next to tills, free with any purchase, so that the diskettes increase store sales. Marriott Hotels and Sony's US movie theatres are pushing Juno.

At first sight, the Juno formula seems not to be replicable abroad. Where customers have to pay for every local call, as in Britain, the extra cost of receiving the ads can amount to nearly 20 per cent of the monthly cost of paying a Net subscription even if the ad transmission time is only one minute per day. This clearly erodes the advantage of Juno's "free" status. But in practice there is no reason why ad revenues should not cover phone charges, too.

Within two years, I expect to see free e-mail in many countries using national 800 numbers – and perhaps even to see customers paid to use an e-mail service in return for watching the ads.

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Racing's cash drying up

Bookmakers are to blame for UK racing's failure to counter the challenge of the national lottery, says Michael Thompson-Noel

Horse racing is the most vampiric of sports. It does not suck blood, but every day, on every continent, it draws greedily on the great reservoir of cash that sustains it. The Hittites, who raced horses and gambled, probably grumbled as inflation nudged the cost of fine horseflesh beyond the price of gold.

And the grumbling has never stopped. At Ascot on Saturday, Britain's leading all-age, 1½-mile race, the De Beers-sponsored King George VI and Queen Elizabeth Diamond Stakes, was won by an eccentric speedster named Pentire. It was a glittery Ascot occasion.

But in the private boxes, many racehorse owners will have discussed the issue that is depressing British racing. Its reservoir of cash is shrinking.

Everywhere, horse racing is heavily subsidised. A key statistic in all racing countries is the amount of prizemoney available to help defray owners' costs. In Britain last year, racing's prizemoney totalled £58.2m ($91m), 6 per cent more than in 1994. In 1995, an equal share of the prize total – 16 per cent each – was supplied by owners (in the form of race-entry fees), racecourses and sponsors. The greatest share, 52 per cent, came from the Horserace Betting Levy Board, which pumps money into the sport via a levy on off-track betting.

But the pump is stuttering. The yield from the levy in the board's latest 12-month period, to March 31 this year, was £48m, against £50.7m the previous year. The 1995-96 yield was £7m less than forecast in October 1994, just before the introduction of Britain's national lottery, which – to the fury of the puritans and of those who operate rival forms of gambling – has been a runaway success.

Levy Board chairman Sir John Sparrow says that UK off-course betting turnover in 1995-96 fell by 4 to 5 per cent. The scale of profit reductions announced by the big, publicly quoted betting companies had shown the industry was experiencing its worst set-backs since high-street betting shops were legalised in 1960. Levy Board chief executive Rodney Brack adds that betting shops have been closing at a record rate. There were about 9,500 at the start of 1995-96, fewer than 9,000 at its end. Shops that could not be sold were being "locked and left". Bookmakers themselves say there are only 8,600.

Because of racing's thirst for cash, one part of the sport always blames another if the pipeline from the great betting reservoir springs a leak. Racing is still complaining bitterly about the lottery, and will seek another reduction in the rate of off-track betting tax. From March 1 this year, the Treasury cut the rate of betting tax by 1 percentage point, to 6.75 per cent – too little, too late.

But the real culprits are the bookmakers, who displayed glacial calm in the months before the lottery's introduction. Some time before the lottery started, I had lunch with Peter George, chief executive of Ladbroke, the UK's biggest gambling combine. He was *really* calm.

"In a way," said George – we were in one of his own hotels, London's Park Lane Hilton – "the lottery will probably have a far smaller effect on general betting than if UK betting were based on a *pari-mutuel*. Many *pari-mutuel* bettors go strictly on numbers. It is the same with lotteries . . . But there will be some impact on retail spending behaviour in Britain – perhaps on confectionery sales, maybe on tobacco sales, and undoubtedly on the football pools."

The Ladbroke chief must regret every word, especially that quip about numbers bettors, which has proved wide of the mark: wider than an asteroid belt. What has clearly happened is that a lot of horse bettors who were not numbers bettors have switched to the lottery because of its millionaire prizes, slick marketing and the ubiquity of its outlets.

Oh, and a lot of us were fed up with betting shops: gloomy places, dirty places, staffed, almost always, by people from Planet X.

■ The Ecclesiastical Insurance Tour of the Cotswolds sounds like a refined tour of Cotswold churches, but turns out to be British cycling's longest and toughest road race.

It is staged on August 4, sponsored – at next to no cost – by the Gloucester-based Ecclesiastical Insurance Group. The race takes about five hours. Over 119 miles, riders climb almost 7,000ft, twice the height of Mt Snowdon. (They also descend almost 7,000ft, but that is not a significant consolation).

Ecclesiastical Insurance is Britain's leading insurer of Anglican church property, care homes and independent schools. It also has a proselytizing division, Ecclesiastical Direct, which deals with secular policyholders seeking house, contents and motor insurance. Its ethical unit trust is called the Amity Fund.

"No," said Ecclesiastical spokesman Brian King. "the race is nothing to do with churches. It is a corporate sponsorship just like any other." How much? "About £5,000. Happily, the race is also supported by an enormous voluntary effort. We are very happy with our sponsorship. What we pay for are prizes, some expenses for foreign competitors, and printed matter.

"The Cotswolds race, which is for the hardest of hard men, is becoming increasingly important, given the recent cancellation of the Tour of the Peaks race. Cycling is being hit badly by the loss of quality events. There has been no replacement for the Milk Race or the Kellogg's Tour of Britain, and there are rumours that the Leeds Classic will be cancelled."

Pentire (left) winning Saturday's big race at Ascot in style. But the sport has deepening money worries

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■ America's National Basketball Association won a lawsuit against Motorola, the big US electronics group, last week when a Manhattan judge ruled that Motorola had "engaged in unlawful conduct" by supplying depictions of action during NBA games via a hand-held, pager-like device called SportsTrax.

The device, which sounds really geeky, was unveiled early last year to provide batter-by-batter information on major league baseball games. This year, Motorola started to transmit "accounts" of basketball games via SportsTrax. What you got, basically, was a visual depiction of where the ball was from moment to moment, which must have been thrilling if you did not have a life.

The lawsuit was filed by the NBA and its marketing arm, NBA Properties, and claimed that Motorola was not authorised to provide play-by-play coverage of NBA games. Three-year subscriptions to SportsTrax cost $200.

Motorola claimed that SportsTrax merely offered a variant of standard media coverage. No, countered the NBA, it did not. What SportsTrax did was cross "the boundary from mere media coverage of NBA games into competing commercial misappropriation of [them]". The NBA was given a permanent injunction against Motorola, although a claim for unspecified damages was denied.

The media revolution is gaining pace. Boundaries between computing, telecoms, broadcasting and the ownership of media content – including ownership of sport – are blurring. There is a lot of wrangling to come.

Colin Amery • Architecture

Time for London to reach for the sky

Why is the City of London so modest? Planners and consultants are considering an idea from the architect Sir Norman Foster and developer Trafalgar House to build the tallest office building in Europe on the site of the Baltic Exchange. Yet when it comes to height, why stop at Europe? What about the highest building in the world? London has terrific architects, and Sir Norman has proved himself not just a brilliant architect but, with his colleagues, an uncompromising campaigner for quality.

Man has always wanted to soar into the sky. Even in the 1950s Frank Lloyd Wright believed that technology was available to build high. Today it is even easier. The near destruction of London's Baltic Exchange by terrorists means there is very little point in rebuilding it.

The site is not in a conservation area and is not affected by the limits that can be imposed to protect views of St Paul's. The Royal Fine Art Commission recommended that Trafalgar House hold a competition for the entire site, and has said it is not opposed in principle to a high building.

The developers feel that Sir Norman Foster is the right person to design such an important building. He has the experience of building the Commerzbank tower in Frankfurt – Europe's highest building at present. I ascended the incomplete Commerzbank building the other day and was impressed not only by its height but by the scale and solidity of the structure, which is being erected on a tight site in Frankfurt's heart. A remarkable feature are the indoor gardens that spiral up the tower and link to the central atrium.

The Frankfurt tower is 984ft, the same as the Eiffel Tower. How would the "Baltic Tower" compare? It is planned at present to be 1,427ft high, whereas the tallest building in the world is Petronas Towers in Kuala Lumpur, Malaysia, at 1,476ft. The tallest building in London is the tower of Canary Wharf (800ft) while the Nat West Tower is 600ft.

What London needs to know is what impact a single giant tower on its eastern skyline might have. Its scale may be daunting – possibly out of proportion to almost everything else. The City has been slow in allowing upward growth of real quality. Skyscrapers look good in groups. I recall arguing for just such a policy years ago so that Docklands could have become a great green lung for London to the east with water parks and splendid housing.

Instead, the City seems prepared to allow an arbitrary pattern of growth while Docklands fosters unplanned and overbuilt developments that have no proper links to the rest of London.

One new tower will not be enough to transform London, but this particular design by Sir Norman Foster offers enormous potential. It proposes public space in front of Holland House, with a mixture of public uses like pubs, cafés and shops at ground level. Above, the plan allows for large dealing floors, something that has not been possible in the format of existing towers.

As a privately funded symbol of the City's continuing confidence in itself as a leading financial centre, the tower has a lot of point. Its free form allows an element of transparency and its final shape – yet to be decided – should make a distinctive, unforgettable contribution to our perception of London.

But it should not stand there alone. It should be at the heart of a cluster of new towers, creating a skyline fit for the 21st century.

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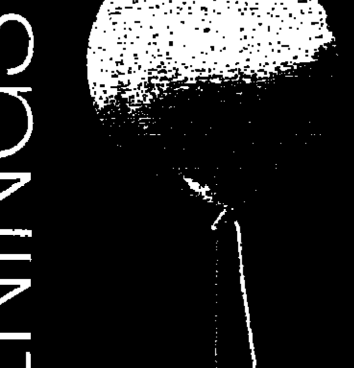
ARTS

OPENINGS



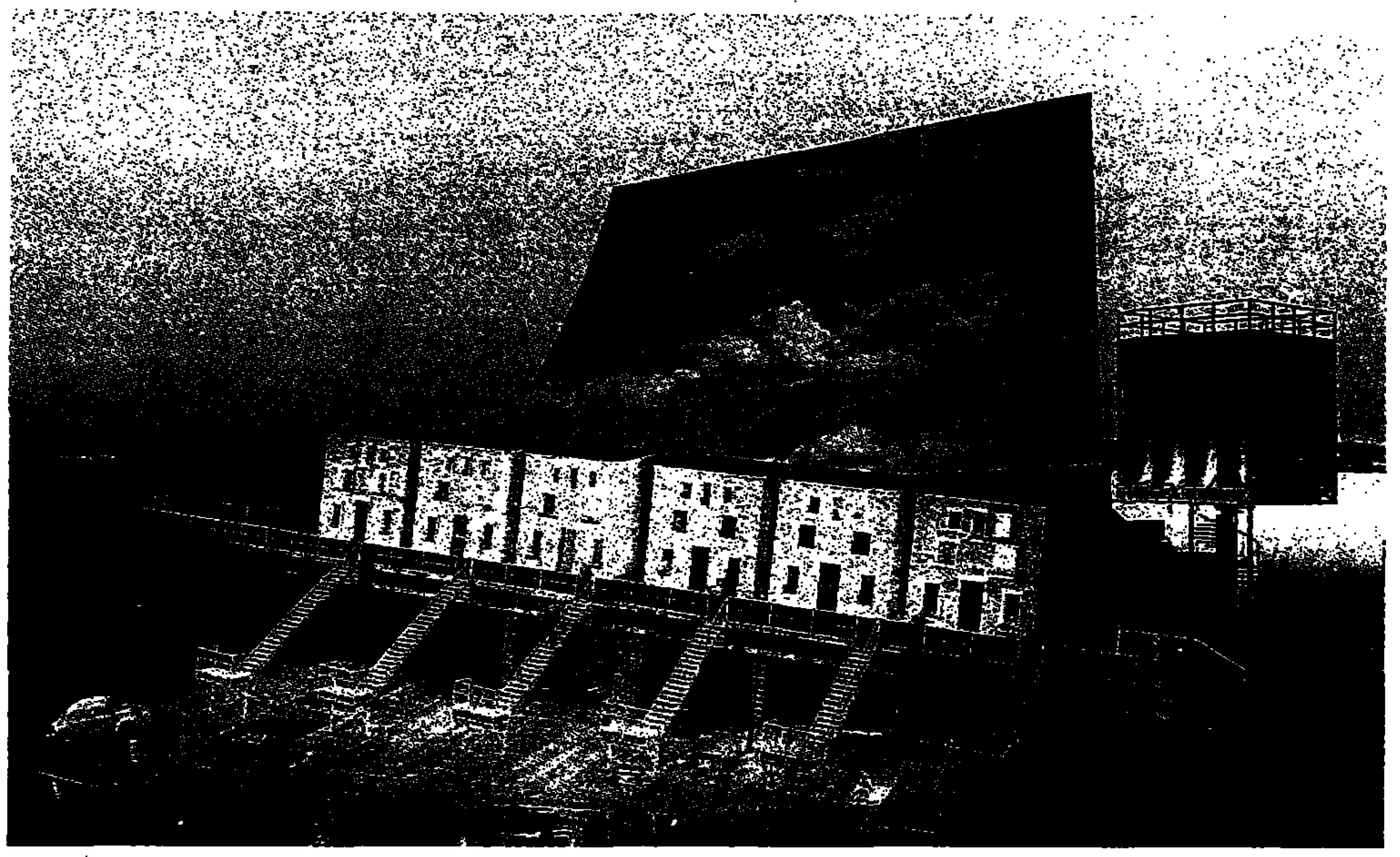
LONDON
[illegible] National Theatre [illegible] The Red Balloon [illegible] Birmingham Rep [illegible] opens at the Olivier Theatre on Thursday.

MARTINA FRANCA
[illegible]

GLYNDEBOURNE
[illegible]

ORANGE
Outdoor opera performances in the Roman amphitheatre here are a great draw for summer holidaymakers in the south of France. [illegible] Verdi [illegible] Michel Plasson conducts a production [illegible]

LEIPZIG
The Museum of Fine Arts is mounting an exhibition of ink drawings by Karl Schmidt-Rottluff (1884-1976), one of the pioneers of German Expressionism. The early works, dating from before the First World War, show the influence of Van Gogh, Cubism and African art [illegible] The exhibition opens on Thursday and runs till mid-September.



Festival bankroll: the floating stage in Bregenz, set up here for 'Fidelio', is an artistic trademark

Monika Rittershaus

Confusion in Bregenz

Andrew Clark discusses a disappointing open-air 'Fidelio'

No important European festival has a more confused identity than Bregenz. Tucked into the Austrian corner of Lake Constance, it is best known for the open-air spectacle of its floating stage, where special effects take precedence over artistic fidelity. This is opera for the masses, and the masses duly respond – 6,000 every evening, many discovering opera for the first time.

But there is a more intimate and refined side to Bregenz: every summer an operatic rarity is treated to a slap-up production in the indoor Festspielhaus. In recent years, performances of Tchaikovsky's *Mazeppa*, Zandonai's *Francesca da Rimini* and Rimsky-Korsakov's *Kitezh* have been little short of a revelation. This is opera for connoisseurs.

Which is the real Bregenz? The town itself mirrors the confusion. The centre is a mess of traffic and tourists – no more so than the area around the Festspielhaus, where champagne-sipping opera-goers share the early evening sun with crowds of sweaty holidaymakers. Barely 10 minutes away, Bregenz dissolves into a picturesque hinterland, with quiet country roads, vistas of woods and mountains, and unspoilt villages.

As a grubby lakeside resort, however, Bregenz can hardly sell itself as an upmarket festival. In spite of the quality of the indoor performances, its artistic trademark will always be the floating stage. That is what bankrolls the festival.

Within these parameters, Alfred Wopmann, the festival director, has shown a lot of imagination. He has been beefing up the indoor programme: this year includes *The Taming of the Shrew* from Berlin, a concert by Roger Norrington's London Classical Players, and the premiere of a new chamber opera by Georg Friedrich Haas.

The outdoor opera is once again *Fidelio*. My impressions of it last summer were clouded by having to sit through the second act in a rainstorm. This year, aided by a glorious sunset, the impression was better – but still not enough to redeem the staging by David Pountney and Stefanos Lazaridis. Their starting point is that we are all imprisoned by our own narrow horizons – blind to, or shrugging off responsibility for, the horrors of the world around us. And so they present *Fidelio* as a mirror of ourselves: picnickers, joggers, dog-walkers, sunbathers, all oblivious to Pizarro's oppression. The "idyll" of daily life consists of Rocco's allotment and saloon car, a row of 1950s houses and a blue sky.

Looming behind is a high-rise block of cells, inhabited by psychologically tortured prisoners. Pizarro is a bureaucrat in an office tower, while those in his service passively or actively collude with him. The minister is an American politician accompanied by majorettes and a fireworks display.

The problem with this scenario is that it swamps and trivialises the opera's central message: the power of love to overcome tyranny. Surrounded by production business, Leonore and Florestan are reduced to bit-characters. And if everyone else is "imprisoned", what hope has Florestan when he is free? The litmus test of any *Fidelio* is: was I moved? Well, I laughed a bit and squirmed a bit, but I never felt I was being confronted by one of opera's great moral statements.

Pountney and Lazaridis were seduced by a big budget and the need to entertain their public. Full marks to the conductor, Ulf Schirmer, to the acoustic technicians and a well-balanced cast for salvaging some artistic seriousness.

The previous evening we were treated to Chausson's *Le roi Arthus* in the Festspielhaus. For anyone who knows and loves the *Poème de l'amour et de la mer*, a staging of the same composer's only opera – completed shortly before his early death in 1899 – was an enticing prospect. In the event, it proved disappointing, and Chausson must take much of the blame.

Le roi Arthus is Chausson's version of the King Arthur fable, but the shadow of *Tristan* falls so heavily over it that Wagner's music drama seems concise and entertaining by comparison. There is the same tortured triangle as in *Tristan*, the same instrument of betrayal, the same messy outcome, and for much of the evening the same musical idiom – with nothing like the same level of invention or dramatic pacing.

But *Le roi Arthus* cannot simply be dismissed as a pale copy. Chausson's pre-Impressionist personality occasionally breaks through, offering a tantalising glimpse of what might have been if only he had shaken off the Wagnerian drug. And the tale differs from *Tristan* in significant areas. Arthur is a more central figure than Wagner's King Mark, and unlike Tristan, Lancelot spends most of the opera trying to shake off his guilt for running away with Arthur's wife, Guinevere. He finally does so by sacrificing his life in defence of his king in battle.

So there is none of the all-consuming romantic passion of *Tristan*. But there *is* a moral component, which Günter Krämer and Herbert Kapplmüller, his designer, eagerly picked up in their Bregenz production. The round table – a stage-filling platform in the opening scene – was treated as a metaphor for the wholeness and well-being of mankind. As soon as its principles were betrayed by Lancelot's adulterous relationship, the table began to break up, until in act three it resembled a bombed-out jumble. Only in the final scene was there an attempt to piece it together again.

This was not a lecture in sexual ethics. Krämer was trying to interpret *Le roi Arthus* in broader terms, as a parable of the failure of political idealism. The bleak message of hope at the final curtain was that, from the ruins of the old, we could start to build something new.

But it sat uncomfortably with the music and libretto – particularly in the *fin-de-siècle* love scenes, which Krämer cast in the fraught, untactile body language of psychodrama. Much of the evening was simply too static, and Krämer played very loose with the story. Where Chausson has the abandoned Guinevere strangling herself with her own hair, Krämer simply withdrew her into an enveloping gloom. Where Arthur, having forgiven Lancelot, should be borne into a majestic choral sunset, we saw him stooped and saddened front-of-stage. Krämer quoted Brecht on a drop-cloth, but Brecht has no place in an opera where moods and feelings take precedence over ideas.

Nevertheless, Kapplmüller's decor and Max Keller's lighting captured some beautiful images of moonlight and daybreak, the latter mirroring the streams of sun in Chausson's string-writing at the end of act one. And however much one tired of the Wagnerian echoes in instrumentation and harmony, Marcello Viotti's conducting of the Vienna Symphony Orchestra was alive to every nuance of the score.

The cast, too, was beyond reproach. Philippe Rouillon made a suitably tragic hero, filling the stage with Arthur's barren monologues and finding a radiant upper extension to his noble French baritone. The other baritone part is Merlin the wizard, transformed by Krämer into Arthur's "inner voice" and sung with appropriate otherworldliness by Gilles Cachemaille. The main soprano and tenor roles were taken by up-and-coming Americans: with her blonde hair and warm stage personality, Susan Anthony made up for the coldness of the production, while Douglas Nasrawi did his best to salvage something from the wimp-like outpourings of Lancelot.

If this summer's yield seemed modest, there should be compensation in 1997: Andrew Litton is to conduct *Porgy and Bess* on the lakeside and Rubinstein's *The Demon* will be staged indoors.

Fidelio runs until August 22. Final performances of Le roi Arthus: August 1 and 4 (0043 5574 4920 223).

Theatre/Alastair Macaulay

A Molière for the 1990s

Molière's comedy *Les Femmes Savantes* (*The Learned Ladies*, 1672) is not PC. It mocks three women who neglect their traditionally feminine duties for scholarship. Awkward terrain in these feminist days. On the one hand, when Philaminte, domineering wife to Chrysale, sacks a servant, it is not for bad housework but for bad grammar. On the other, the scholarship that she and her two comrades, her sister-in-law Bélise and her elder daughter Armande, follow is itself pretentious. Like the ladies in the Gilbert and Sullivan *Patience* who are in love with rival aesthetes, these three French women are devotees of the poseur Trissotin and his ridiculous *oeuvre*.

Given the choice between trusting the robust comedy of Molière's text and making a theatrical issue out of political correctness, Steven Pimlott – directing the Royal Shakespeare Company's production – eventually chooses the latter. Gradually, he rocks the scales of Molière's finely balanced play, until, in its final two-fifths, it ceases almost entirely to be funny and leaves a sour taste in the mouth. This version ends not with ensemble preparations for a happy marriage (as in Molière) but with Armande (who would have liked to get married herself) running out in bitter laughter at the "philosophy" which her mother commends to her, then with Bélise running out to fan her unhappy delusion that her niece's suitor must be in love with her, and finally – as the others go off to prepare the wedding – with Philaminte alone, robbed of all speech.

As Caroline Blakiston plays this moment, very finely, Philaminte becomes the embodiment of the tamed shrew, the hushed virago. She may feel outraged, but she can no longer express it. Rather clever; and utterly wrong. It scarcely fits with the fact that, 10 lines before, Philaminte was announcing her glee in celebrating the marriage with sufficient *éclat* to fill the discredited Trissotin with *chagrin*. But so what? Pimlott just wants to end the play with a series of what theatre folk call "effects", and he knows that a few flashy demonstrations of crushed womanhood will go down better these days than something so true to Molière as a happy ending.

But Molière was not a misogynist, as *The School for Wives* makes clear. As for female intelligence, nobody in *The Misanthrope* is more witty or erudite than Célimène, nobody more prudent or wise than Eliante. The central joke in *The Learned Ladies* is that these three particular women, in forsaking their conventionally feminine roles, have been silly enough to do so for petty pedantry in general and a gross charlatan in particular.

But Pimlott tells us, blatantly, that *The Learned Ladies* celebrates misogyny. He and his composer Jason Carr introduce the second half with a song, "The misogynist Alphabet". Each of Molière's five acts, by the way, is prefaced here either by one of these gruesomely cynical songs, or by a laboriously cute piece of scene-changing. "Effects" again. Sue Blane, the designer, starts the play in a prettily mock-baroque era, then changes everyone's frocks so that it winds up in modern dress, and Peter Mumford's lighting keeps contrasting areas and phases of light and shade with marked and artful emphasis.

I would have written with more delight and less annoyance had the performance ended at the interval. Until then there is a good deal of wit, much of it delicate, in the playing. Blakiston, Jane Gurnett

Pimlott just wants to end the play with a series of what theatre folk call 'effects'

(Henriette), Niamh Cusack (Armande) and Sebastian Harcombe (Clitandre) are particularly good, and Alison Fiske's artificial account of the deluded Bélise is the production's funniest performance.

There are many ways in which Molière can be done successfully today. In 1991 this same play, performed at Chichester's Minerva Theatre, was hilariously translated, updated and retitled *The Sisterhood* by Ranjit Bolt, in his characteristically virtuoso-rhyming mode. The women embraced post-structuralism, deconstruction ... You name it, they named it. This version is by A.R. Waller, whose c. 1910 version avoids rhyme (so insistently clever-comic in itself in English) and forces no modern lit-crit jokes on us. It never draws attention to itself, and yet it is free enough to maintain Molière's spirit while departing from his letter.

My favourite line is all Waller's own. Philaminte, urging Trissotin to read his poem: "Sacrifice your epigram on the altar of our impatience." Molière is both the contemporary satirist of Bolt's version and the rational and classical comedian of Waller's. He is not, however, the old-school, old-fogey joker from whom Pimlott's version, with such wretched and emphatic cleverness, parts company.

In RSC Repertory at The Other Place, Stratford-upon-Avon.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● Cobra en het Stedelijk: exhibition of paintings and sculptures from the museum's collection by participants of the international art group CoBrA. The approximately 150 works on display span the period from 1948 to 1962. Included in the exhibition are 17 works by Corneille that were donated to the museum by the artist last year; to Sep 15

■ ATLANTA

EXHIBITION
High Museum of Art Tel: 1-404-733-4400
● Rings: Five Passions in World Art: this exhibition, organised in conjunction with the Olympic Games, explores the power of art to evoke five universal emotions: love, anguish, awe, triumph and joy. More than 125 objects from international public and private collections are grouped into five main sections, each devoted to one of the five passions; to Sep 29

■ BERLIN

EXHIBITION
Berlinische Galerie – Martin-Gropius-Bau Tel: 49-30-254860
● 100 Zeichnungen – Ausgewählt aus der Graphischen Sammlung der Berlinischen Galerie: exhibition of 100 drawings from the museum's collection, spanning the period from the end of the 19th century to the present; to Aug 4

■ BREGENZ

CONCERT
Bregenzer Festspiele – Festspiel und Kongresshaus Tel: 43-5574-4920
● Wiener Symphoniker: with conductor Georges Prêtre perform works by Brahms, Stravinsky, R. Strauss and Ravel. Part of the Bregenzer Festspiele; 7.30pm; Jul 30

■ COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Emerson Quartet: perform works by Smetana, Ives and Dvořák; 7.30pm; Jul 30

EXHIBITION
Davids Samling – David Collection Tel: 45-33 13 55 64
● By the Light of the Crescent Moon. The Near East in 19th century Danish art and literature: divided into three sections, the exhibition gives an overview of 19th century Danish artists' portrayals and perceptions of the Middle East. The display includes texts written by the archaeologists P.O. Broendsted and J.L. Ussing and the architects H.C. Stilling and Ferdinand Meldahl, costume designs by Edward Lehmann, Hans Christian Andersen's drawings and travel journals, and works by Martinus Roerbye, Adam Oehlenschlaeger, B.S. Ingemann, August Bournonville, Niels Simonsen and Elisabeth Jerichau Baumann. Some of the exhibits presented are seriously intended and based upon actual experiences and impressions, whereas others are fantastic creations drawn predominantly from the imagination of their creators; to Sep 29

■ DUBLIN

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● Sean Scully: Twenty Years: this exhibition includes approximately 30 paintings and 32 watercolours covering the two decades during which Scully moved from England to the United States, obtained American citizenship and established himself as a pivotal figure in post-war abstract painting. Several of the works are drawn from the artist's own collection; to Aug 25

■ FRANKFURT

EXHIBITION
Museum für Moderne Kunst Tel: 49-69-21230447
● Szenenwechsel X: exhibition featuring works by Albert Oehlen, Robert Gober, Jochen Flinzer, Heiner Blum, Miriam Cahn, Nobuyoshi Araki, Larry Clark, Jock Sturges, Rosemarie Trockel, Anke Doberauer, Ed Ruscha, Bernd and Hilla Becher, Thomas Ruff, Max Mohr, Markus Raetz, Stephan Balkenhol and Herbert Hamak; to Jan 12

■ LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Dar Williams: performance by the American singer/song writer; 7.30pm; Jul 29, 30

EXHIBITION
Design Museum Tel: 44-171-3786055
● 100 Masterpieces. Furniture that made the 20th Century: exhibition featuring 100 pieces of 20th century furniture. Highlights of the show include the zig-zag chair by Gerrit T. Rietveld, E1027 by Eileen Gray, the Louis 20 chair by Philippe Stark, B3 (Wassily) by Marcel Breuer and the Well Tempered Chair by Ron Arad; to Oct 6
Royal Academy of Arts Tel: 44-171-4397438
● Roger de Grey – Painter: an exhibition of the work of Sir Roger de Grey, President of the Royal Academy, who died in February 1995. The exhibition includes paintings and a selection of drawings; to Sep 22

THEATRE
Barbican Theatre Tel: 44-171-6384141
● Richard III: by Shakespeare. Directed by Steven Pimlott and performed by the Royal Shakespeare Company. The cast includes David Troughton; 7.15pm; Jul 29, 30

■ LOS ANGELES

CONCERT
Hollywood Bowl Tel: 1-213-850-2000
● Kirov Orchestra: with conductor Valery Gergiev, mezzo-soprano Olga Borodina and the Kirov Opera Chorus perform Prokofiev's Symphony No.3 in C minor, Op.44 and Cantata, Op.78 (Alexander Nevsky); 8.30pm; Jul 30

EXHIBITION
The J. Paul Getty Museum Tel: 1-310-459-7611
● 19th Century French Drawings: exhibition of 25 drawings by 19th century French masters from the museum's collection, with examples from Neo-Classicism through Post-Impressionism, including works by Cézanne, Delacroix, Gericault, Ingres, Millet, Manet and Degas; to Aug 25

■ MILAN

DANCE
Teatro Carcano Tel: 39-2-55181377
● Orfeo Pulcinella: a choreography by Micha van Hoecke, performed by the Ensemble of Micha van Hoecke to music by Stravinsky in the Castello Sforzesco. Soloists include Luciana Savignano; 9.30pm; Jul 30

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Leonore: by Beethoven. Concert performance conducted by John Eliot Gardiner and performed by the Orchestre Révolutionnaire et Romantique and the Monteverdi Choir. Part of the Lincoln Center Festival; 8pm; Jul 30; Aug 1

■ PARIS

EXHIBITION
Musée Carnavalet Tel: 33-1 42 72 21 13
● Georg Aerni – Panoramas parisiens: exhibition of a series of panoramic views of Paris by the Swiss photographer Georg Aerni; to Sep 29

■ SALZBURG

CONCERT
Grosses Festspielhaus Tel: 43-662-80450
● Wiener Philharmoniker: with conductor Riccardo Muti and pianist Radu Lupu perform Beethoven's Egmont Overture, Piano Concerto No.4 and Symphony No.5. Part of the Salzburger Festspiele; 9pm; Aug 3, 4 (8.30pm)

■ VIENNA

EXHIBITION
Palais Liechtenstein Tel: 43-1-3176900
● Erró: From Mao to Madonna: retrospective of this legendary figure of European Pop Art, Object Art and Action Painting. The exhibition features about 90 large-format paintings spanning a 30 years period; to Sep 8

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10.00
European Money Wheel

18.00
Financial Times Business Tonight

Michael Prowse • America

Liberating schools

Bob Dole's voucher plan to help inner-city children afford a private education is Republican social policy at its best

Who says Mr Bob Dole, the Republican *presidential* candidate, lacks vision? In one of the most important fields of public policy he is already showing more courage and insight than President Bill Clinton. I am referring to education and Mr Dole's bold advocacy of a voucher programme that would allow many poor children to attend private schools.

Speaking recently in Milwaukee, Mr Dole likened his plan to the "GI Bill", a programme whose grants helped a generation of Americans (himself included) afford a college education after the second world war. Significantly, grants under the GI Bill were not restricted to the public sector: veterans had the option of using the money in public or private universities.

As Mr Dole noted, wealthy families have always enjoyed a choice of schools. They can afford either to send their children to private schools or to move to neighbourhoods with good public (government-run) schools. His goal was to enfranchise low-income families whose children are trapped in the nation's worst public schools. The voucher campaign, he suggested, was nothing short of "a civil rights movement of the 1990s".

The argument should embarrass Democrats whose posture on school choice is hypocritical. President and Mrs Clinton, for example, send their daughter Chelsea to Sidwell Friends, one of the most exclusive private schools in Washington. Yet they (and numerous other politicians who choose private schools for their own children) vehemently oppose measures that would give comparable opportunities to poor families. Public funds, they argue, must be spent "improving" public schools even if these are not good enough for their own offspring.

Mr Dole cannot be faulted for demanding impractical changes. True to form he is proposing a modest pilot project that would cost only about $5bn (£3.2bn) a year. Under his *scheme, the federal* government would offer matching grants to as many as 15 states to pay for "opportunity scholarships" for about 4m low- and middle-income children – about 10 per cent of the school population. The scholarships would be worth up to $1,500 a year and could be put toward the cost of tuition at public, private or religious schools.

Sceptics may wonder if there is any evidence to suggest that children in inner cities would benefit from such an initiative. Perhaps surprisingly, there is plenty, as Mr Sol Stern shows in "The Invisible Miracle of Catholic Schools", an article in the summer issue of City Journal*, a magazine that delights in challenging conventional "liberal" wisdom. Mr Stern quotes numerous academic studies showing that children attending Catholic schools in New York City do far better academically than those who attend public schools. A 1990 Rand study, for example, found a 95 per cent graduation rate from Catholic schools against 25 per cent in the public sector.

The superior performance is not explained by money or student background. Per pupil expenditure in Catholic elementary schools in New York *is about $2,500 a year, or a* third that in public schools. About 85 per cent of students in Catholic schools in Manhattan and the Bronx are now drawn from minority groups. Mr Stern argues persuasively that the disparity in performance mainly reflects fundamental differences in educational philosophy and values.

After watching teachers in action, he concludes that *Catholic schools succeed* because they expect more from their pupils, impose tighter discipline, concentrate on the basics and use traditional rather than "progressive" teaching methods. School principals have greater freedom in hiring and firing (for example, they can employ people without formal credentials) and can run their schools without interference from the suffocating bureaucracy that envelops the public school system.

By focusing on the needs of poor inner city children, advocates of vouchers may finally have found a winning argument. The powerful teachers' unions (which oppose any attempt to introduce real competition in US education) have defeated voucher plans in the past by claiming that they would cause educational chaos and benefit wealthy *children at the expense of the* poor. For example, after heavy negative advertising financed by unions, Proposition 198 – an initiative that would have given all school children in California an opportunity to leave the public system – was voted down in 1993 by a 2:1 margin.

But it would be harder to defeat a Dole pilot project involving means-tested vouchers. *They would not, by definition,* provide any benefits for the affluent or affect the majority of pupils. They are targeted at deprived children that the public system is undeniably failing. Bereft of logical arguments, opponents are predictably claiming that schemes allowing vouchers to be used in religious schools would violate the principle of "separation of church and state" enshrined in the US Constitution. But recent Supreme Court decisions approving public financial assistance for pupils in parochial schools have undermined this objection.

Whether Mr Dole has the rhetorical skills to make much of his voucher proposal during the election campaign remains to be seen. But he has attacked the Democrats on a weak flank. There is growing *recognition in the US, as elsewhere,* that competition and choice are among the keys to improved performance of schools. This has certainly been the case in US higher education which is world-renowned largely because of the vitality of its private universities.

Yet Mr Clinton's efforts to encourage reform of the monopolistic public school system have been feeble, largely because he is politically dependent on the guardians of the status quo – the teachers' unions. Free of this constraint, Mr Dole can position himself on the side of progress.

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Bob Dole: likens his voucher plan to the 'GI Bill'

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Recognise intrinsic value of artistic heritage

From Mr Anthony Mayer.

Sir, According to your July 21 leader "'Saving' art", you see little point for the UK to seek to hang on to its artistic heritage. Yet the intrinsic value of doing so is well recognised by the French, who expect strong state protection for the nation's *patrimony culturelle*. And if a good portion of the Louvre collections may have resulted *from previous cultural* plundering abroad, there is little Gallic inclination in justifying history and their market share by counter invoking the present (sale driven) scattering of French impressionist paintings throughout the world. The country seeks both to promote French art abroad and protect a cultural sanctuary back home, by way, for example, of export prohibitions or the use of local content quotas for media programmes.

Ignoring that pride of place and art patrimony (more than the sum of the parts especially when accrued over centuries) may be the philistine attitude the FT's art column will often denounce, likewise William Packer ("Innovative Degas comes alive", June 1/2) deplores that major art exhibits touring the US or "Europe" often do not pass by the UK's shores. But the UK remains part of Europe and as such does get its share of important international shows, with only Paris excelling more. And that is probably because this gentrified city of glorious museums and monuments can afford a more generous art funding (its tax-base is that of Europe's wealthiest capital) and also because of a government policy of cultural nationalism and more centralised public sponsorship.

Competitive individualism and the rootless market place should not be the only standards by which to assess the arts as public good, especially when also prone to this old English national self-deprecation bias. Not surprising then the current exhibit on Francis Bacon at the Beaubourg museum in Paris and one at the Jeu de Paume to focus on British sculpture this century, achievements which are often snubbed at home in favour of the familiar French or foreign favourites (as attested by shows in London on Picasso, Degas and Cézanne).

Anthony Mayer,
308 West 103rd Street,
New York, NY 10025, US

When motivation is a bonus

From Mr Richard Kevern.

Sir, Lucy Kellaway seems to live in a very sheltered world. She thinks that publishing pay and bonus levels would be de-motivational and cause many problems ("Is performance-related pay worth it?", July 22).

Performance-related bonuses, in particular, should be scrapped.

What I find de-motivational are Lucy Kellaway's views. I've worked for 20 years in a leading financial services company where individual earnings are displayed for all to see. This doesn't upset me or any of my colleagues.

What would cause problems would be the idea of laying a shroud of secrecy over how well each of us was doing or that exceptional performance should not be rewarded by the appropriate bonuses.

Richard Kevern,
14 Wraysbury Park Drive,
Emsworth,
Hants PO10 7UU, UK

Bears will be in for a beating

From J. Gore Browne.

Sir, Eric Elstob's letter (July 23) demands an immediate response. There is no inherent reason why the pound sterling should be a weak currency. Just as there were a great many perpetual bears in the gilt market during the period of high inflation in the 1970s and 1980s, there are still a great many perpetual bears of the pound sterling.

As the Bank of England governor has rightly pointed out, if the UK is to remain outside Emu, it will be obligatory to maintain highly disciplined fiscal and budgetary policies. The basic outlook for the pound sterling is quite good and I expect the bears of the pound sterling could be beaten over the next five years and will be beaten if we remain outside Emu, the political engine of federalists.

J. Gore Browne,
Rutland Centre,
Halford Street,
Leicester LE1 1TQ, UK

Developing countries face enormous jobs task

From Mr John Pirie.

Sir, Your newspaper is normally informative, authoritative and stimulating but the issue of July 23 surpassed the normal, and it was refreshing to read on two adjacent pages such clear views – that Saint Thomas à Beckett should no longer be protected, but allowed to live happily ever after with Santa Monica in a mountain top palace beside the Pacific ("'Saving' art); that those who correctly protest about sweatshop conditions should concentrate on increased market access for developing country produce rather than increased protection ("Sweatshops"); and the conclusion in Martin Wolf's article on inequality that protectionism will not increase employment in rich counties ("The dilemma of inequality").

Please allow me to add one point on the latter subject. Unemployment is obviously a growing problem in OECD counties and, according to the recently issued United Nations Development Programme Human Development Report 1996, economic growth is leading to increased inequality in developing counties, while the route to human development is the expansion of income-earning opportunities.

Taking India as an example, 64 per cent of the labour force, about 250m people, work in agriculture. As this percentage falls and the total population doubles by 2031, the provision of new jobs in industry and services will be an enormous task, and it is hoped that charities providing technical and marketing assistance to small enterprises in developing counties in order to encourage employment creation and income generation will receive increased support.

John Pirie,
executive director,
The Artisan Trust,
51 Wigmore Street,
London W1H 9LF,
UK

Off the hook

From Mr Lars Narve Larsen.

Sir, I refer to Richard Donkin's article "Salmon with an à la carte menu" (July 20/21). Mr Donkin went out of his way to serve the salmon the right "little hooks dressed in feathers and hair", but to no avail.

Our local paper, Bergensavisen, reports that Mr Eric Clapton caught a 10.4 kg salmon in the River Laerdal last week. Could it be that Mr Donkin lacks the slow-hand required for salmon fishing?

Lars Narve Larsen,
adviser,
Dept of Research Management,
University of Bergen,
5020 Bergen, Norway

A clash of personalities

David Pilling on the aftermath of Carlos Menem's sacking of Argentina's economy minister

Argentina's political stage was always a cramped setting for two such strong-willed protagonists as Mr Domingo Cavallo, the economy minister who slayed hyperinflation and engineered sweeping free-market reforms, and Mr Carlos Menem, the president bent on reversing decades of national decline.

That Mr Menem suddenly sacked Mr Cavallo on Friday, ending months of bitter feuding, may ultimately be less surprising than that the two managed to work together for more than five years.

The sacking raises the question of whether Argentina's economic reform programme will crumble without its chief architect, or whether the edifice constructed by Mr Cavallo is strong enough to survive his own demise.

President Menem's choice of the ultra-orthodox Mr Roque Fernández as Mr Cavallo's successor could hardly have been a clearer signal to domestic and international markets that economic policy will not alter and that changeover need not be traumatic.

As central bank president since 1991, Mr Fernández understands fully the intellectual and practical foundations of Convertibility, the currency board system on which Argentina's economic restructuring and destruction of hyperinflation have been based. Since 1991, this has pegged the peso at parity with the dollar, and restored monetary value by banning the printing of local currency unless backed by foreign inflows.

Mr Menem was at pains to stress that his inability to continue sharing a cabinet with the bombastic Mr Cavallo was a question of personalities, not policies. "We will continue with the same model and the same philosophy," he said.

"I can absolutely assure you that there will be no type of change or surprises in terms of interest-rate or monetary policy," echoed Mr Fernández.

Nevertheless, markets will today be braced for turbulence. "This could be a mini re-run of the Tequila effect," says Mr Geoffrey Dennis, chief Latin American strategist at Bear Sterns, referring to Argentina's financial crisis last year following Mexico's confidence-sapping devaluation.

Markets have for months been preparing for the once unthinkable departure of Mr Cavallo. But Mr Dennis believes the Merval index of blue-chip stocks, which fell 4 per cent on Friday in the minutes following the minister's sacking, could drop by a further 10 per cent.

Argentine Brady bonds and other paper may fall. There could also be a net withdrawal of bank deposits by nervous Argentines, says Mr Dennis, though not on the scale of the $8bn (£5.1bn), or nearly 20 per cent of bank deposits, that fled after Mexico's devaluation.

None of this will help Mr Fernández in his most pressing task, that of hauling the economy from recession. "Withdrawal of money will obviously have an [upward] effect on interest rates, which will tend to delay recovery further," says Mr Dennis.

Mr Fernández inherits an economy that shrunk 4.4 per cent in 1995 and whose sluggish recovery this year is endangering fiscal targets agreed with the International Monetary Fund. Like Mr Cavallo, Mr Fernández will be faced with the unenviable task of trying to squeeze more tax revenue from a stagnant economy and forcing further spending cuts in the face of calls for emergency resources to kick-start growth.

It was Mr Cavallo's apparent impotence in the face of recession that was the final nail in his coffin. Once considered indispensable as the engineer of rapid growth, then as the guarantor against financial collapse, by this year he was increasingly associated with stubborn recession and record unemployment.

Mr Cavallo's previous ability to bully parliament into passing legislation had also evaporated as congressmen rebelled against his badgering. "I was a spent force," Mr Cavallo said at the weekend. "When I said 'A', Congress said 'B'."

Mr Fernández, a Chicago-trained economist whose technical credentials are considered impeccable, will stand or fall according to his ability to manage these political forces. Much of Mr Cavallo's growing unpopularity was due to his refusal to adopt expansionary measures to tackle recession and unemployment.

Mr Fernández, who will be even less willing than his Harvard-educated predecessor to indulge in supply-side measures, will need to do a better job in winning legislative support. "The future will not depend on Roque Fernández and his technical abilities – which are more than adequate – but on the support he gets from Congress," said Mr Cavallo.

The political muscle of Mr Fernández, however, has hardly been beefed up by Mr Menem's admission that the central bank technocrat was only third choice for the post. (Two other orthodox economists turned down the job.) Nor will the new minister's task be made easier by the fact that nearly all Mr Cavallo's team has resigned with him, obliging Mr Fernández to piece together a new economic cabinet virtually from scratch.

Internationally, Mr Fernández is well known, and this weekend he received the endorsement of Mr Michel Camdessus, managing director of the IMF, an institution with which the new minister is a seasoned negotiator. In the *coming months*, he will probably need to use such contacts to cut a new deal with the Fund.

That may not be enough. Argentina will also have to tap international financial markets for fresh resources just when investors may be at their most nervous. There are concerns that Mr Fernández, who has a rather dour public image, may not be as good a salesmen as his forceful and flamboyant predecessor. "My doubts are about his abilities to sell Argentina to the world's capital markets. Cavallo was a master at this," says one foreign investor.

Just as concern over Mexico last year affected markets throughout Latin America, some analysts worry that nervousness over Argentina could have a similarly continent-wide effect. "There is a danger that investors will pull back a little from the region as a whole and that this will be seen as another hiccup in regional recovery," says Mr Dennis.

But as in all crises, there is also opportunity. "This could help Argentina because it will demonstrate that the economic model we have built over the past five years does not depend on individuals," says Mr Cavallo. "My going will demonstrate the strength of our political and economic institutions."

Mr Fernández, who today begins the task of filling the void left by Mr Cavallo's enormous personality, will be hoping more than anyone that Mr Cavallo's optimism proves well-founded.


Carlos Menem: 'We will continue with the same philosophy'

FINANCIAL TIMES

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Monday July 29 1996

Saving the test ban treaty

The US government's energy will be absorbed this week by the bomb which has cast a dreadful shadow over the Olympic Games. But there is another issue that has a claim on its attention: ensuring a successful conclusion, or at least avoiding failure, at the Geneva talks on banning nuclear tests.

Even the optimists are measuring their words as negotiators gather today for a last-ditch effort to conclude a comprehensive test ban treaty. Since the talks broke up a month ago, a US concession has boosted hopes of a compromise: one that will save the CTBT from oblivion, though still leaving it uncertain whether it will ever enter force.

But US pressure has failed to shift the stance of India, which refuses to sign the treaty except in the inconceivable event of all five nuclear powers setting a timetable for total disarmament. If any accord is struck this week, it will be along the lines of the compromise put forward by Mr Jaap Ramaker, the Dutch chairman of the negotiations. His formula broadly meets the demands of Russia and China, which have insisted that the CTBT only enter force after its adoption by the five declared nuclear powers, plus the "threshold" states: Israel, India and Pakistan.

Slim chances

But in view of the slim chances of India ratifying, the compromise text includes an alternative route for saving the CTBT. If, after four years, it is not yet in force, those countries which have adopted it can call a fresh conference to consider ways of accelerating the ratification process. These words are vague enough to mean almost anything to anyone. But it is possible to interpret them optimistically; countries which have already stopped testing might use the follow-up conference to commit themselves to an open-ended ban – in the hope of shaming India into following suit. That would be better than a free-for-all return to testing, though it would be far from ideal.

The chairman's proposal was until recently opposed by the US on grounds that the CTBT should not be left open to the risk of being thwarted by India. Washington felt there should be a clear procedure for the CTBT to enter force without India's assent. But Mr Warren Christopher, secretary of state, softened this stance when he met Mr Evgeni Primakov, the Russian foreign minister, in Jakarta last week, and they agreed to work together in support of Mr Ramaker's compromise.

Rearguard action

The US has failed to secure its main aim – the adoption of a CTBT that binds the main nuclear powers, without fear of sabotage by India – in the teeth of stalling, on various grounds, from New Delhi, Moscow and Beijing.

Given the pressure that the US can bring to bear on almost any other UN member – by granting or withholding economic or military support – it is surprising that Washington should find itself at such a disadvantage. One explanation is that US negotiators put so much effort into securing detailed verification systems that they neglected the more basic problem of the CTBT's entry into force. But perhaps the setbacks suffered by Washington reflect something more than tactics.

India's obstinacy over nuclear testing is fuelled in part by a perception – also palpable in Moscow, Beijing and many other capitals – that Washington's cold war victory has made it too confident by half of its ability to set the agenda in international diplomacy.

Caught between an isolationist Congress, which wants an even tougher attitude to other countries, and resentful foreign partners, the US administration's freedom of action in international affairs may be narrowing. While its diplomatic muscle is unmatched, it is also finite, and US policy-makers face hard choices about where to lean most heavily. But in the light of President Bill Clinton's repeated claim to have made the world safer for Americans, the test ban treaty is not an issue he can afford to neglect, even in the wake of the Atlanta tragedy.

The Mackay revolution

Lord Woolf's proposals for reform of the civil courts in England and Wales have been widely welcomed, deservedly so. The Master of the Rolls' final report, "Access to Justice", is designed to initiate a cultural revolution, led from the Bench. It requires practitioners within the system to accept radical changes. It asks more of them than that. To maintain their present level of earnings they will be obliged to work more swiftly, making up in greater throughput for a planned reduction in earnings per case.

There can be no guarantee of success. The Woolf approach may depend upon a greater willingness to co-operate within new rules than the legal profession is temperamentally able to deliver. Solicitors and barristers are to be brought under the management and control of the judges. That may require a willingness on the part of the Treasury to sanction higher spending. The proposition that the reforms will be self-financing is not convincing, in spite of the prospect of using private finance to introduce information technology to the courts.

The effort to implement Woolf must, however, be made. The existing machinery of Britain's civil courts is notoriously slow, expensive and complicated. Over the past century many reforms have been suggested, few carried out. Even since 1979 the legal business has remained largely untouched while some other professions have been obliged to mend their ways.

Stark depiction

Lord Woolf's depiction of the present system is stark. It "provides higher benefits to lawyers than to their clients", he notes. In claims worth less than £12,500 costs routinely exceed the disputed amount. Only suits involving £50,000 or more are likely to be financially worthwhile. The rich and powerful are thus favoured, but even large companies complain of the relative expense of British courts.

The Master of the Rolls puts forward some 300 proposals designed to rectify matters. In essence, he seeks a simplified mechanism, more comprehensible to clients, in which cases will be "managed". The small claims jurisdiction will be extended. A "fast track" procedure, with tight timetabling and fixed charges, will govern medium-level claims. At the higher level, timetables will be set and managed by the judge.

Case management

Case management, either by written protocol or directive from the bench, lies at the heart of these reforms. There are some precedents. The Commercial Court manages big cases, such as those involving Lloyd's. County courts in central London, Truro and Wandsworth have adopted management hearings. Lord Woolf also cites Scotland, the US, Canada and New Zealand as recent exemplars.

He has made his argument. The question is, to what authority? His report was not addressed to the government or parliament, but to the Lord Chancellor, who sits atop the legal system. Lord Mackay of Clashfern says he intends to seek legislation to create a single rule committee to simplify civil court procedures, as proposed by Lord Woolf. He can implement those of the other 299 recommendations that do not require Treasury money on his own authority. He has already begun to do so.

That leaves finance. If Lord Mackay is to widen access to civil justice, as is his stated purpose, he should attempt to persuade the Cabinet that a wholly Treasury-driven system of legal aid is not consistent with the thrust of his other reforms. The purpose of his attempt to gain control of expenditure on public assistance to litigants is sound. The effect might be to deter the poorest prospective suitors from coming to court, even if costs all round are lowered once the Woolf reforms are in place.

This could mar a reputation that improves on inspection. As a politician Lord Mackay has not always been blessed. He took his knocks over his recent bill to reform the divorce law. His jousts with his own profession may bring him greater credit. Against strong opposition, he provided for self-employed solicitors to appear before the courts in roles previously reserved for barristers. He introduced conditional fees, payable only if the lawyer wins the case. He initiated the Woolf inquiry and appointed its head. The revolution now in prospect is Mackay's.

Lifeblood from transplants

A revolution in British manufacturing has been heavily influenced by Japanese groups such as Nissan, says Stefan Wagstyl

When Japan's Nissan Motor began making cars in the UK 10 years ago this month, its engineers could scarcely have imagined their influence would reach such small corners of British industry as Lisa McDonnell and Marie Leadbitter's workbench.

Yet any Nissan staff visiting the Frederick Woolley car parts company, in Hockley, Birmingham, would immediately feel at home in the two women's castings shop. "Our target is zero defects," says a Japanese-style sign on the wall. "512 days without a break in supply," says another. Below sits an immaculately clean milling machine, complete with a special sieve the two machinists designed to prevent aluminium filings falling into the works.

Ms McDonnell and Ms Leadbitter organised themselves as a Japanese-style manufacturing cell after hearing a talk by Woolley managers who visited Nissan and other Japanese carmakers. Ms McDonnell says: "When they told us what it was like, we said 'We can do that'."

The two women's enthusiasm speaks volumes for the revolution in British manufacturing in the past decade which has been heavily influenced by the arrival of Japanese companies such as Nissan. As Mr George Simpson, chief executive of Lucas Industries, the motor and aircraft parts group, puts it: "Nissan was the catalyst."

Productivity in UK manufacturing has soared with output per person rising 43 per cent in the 10 years to 1995, as out-dated management and work practices have been swept away. Britain still lags behind its competitors in manufacturing productivity, but the gap has closed. According to the government's recent competitiveness white paper, Germany's lead has fallen from 51 per cent in 1979 to 14 per cent in 1994 and the US's from 86 per cent to 58 per cent.

Mr Nicholas Crafts, professor of economic history at the London School of Economics, says no other waves of foreign investment have made as much impression on British industry. "The Japanese are different because they came in large numbers at a time when the British system was in turmoil."

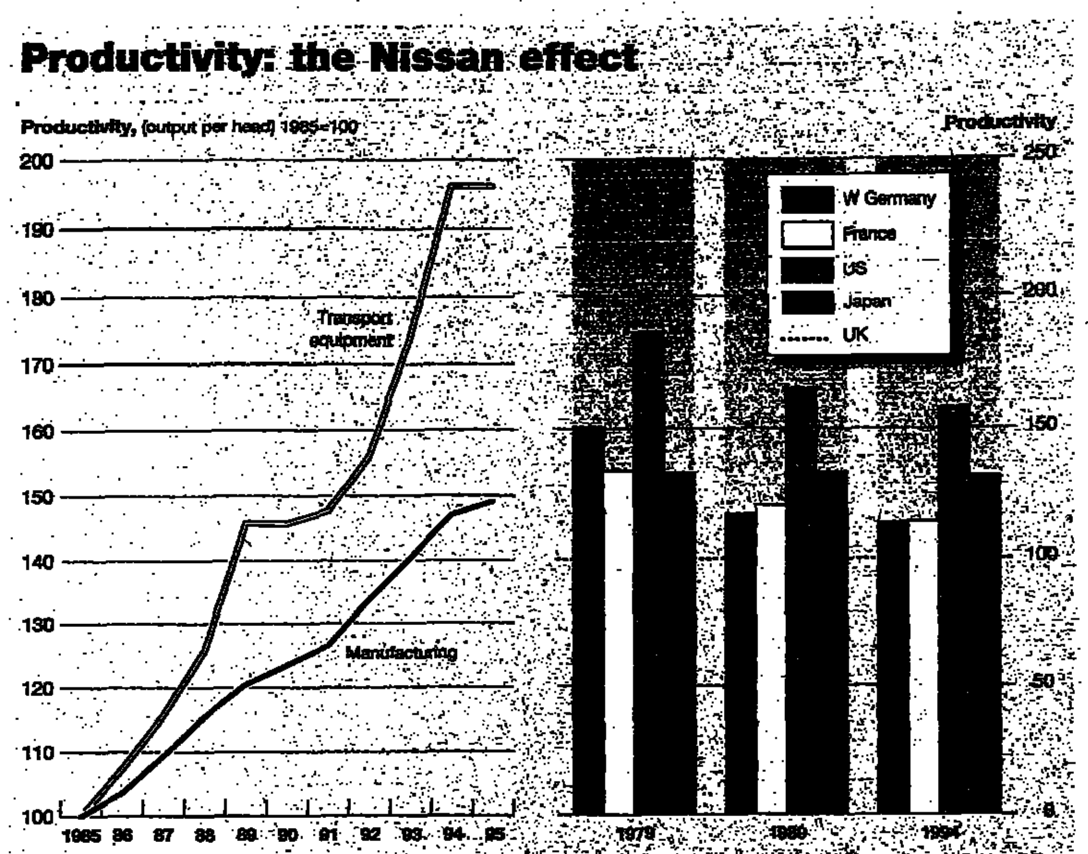
There are three main elements in the improved techniques introduced into British manufacturing in the past 10 years, none uniquely Japanese:

- A commitment to *kaizen*, or continuous improvement.
- Co-operative relationships between workers, managers and suppliers.
- A big emphasis on measuring all aspects of business, from serious faults to misplaced labels, to identify precisely what needs improvement.

Before the arrival of the Japanese, British managers knew these elements mattered in good manufacturing. They just did not believe they could be pursued aggressively in the UK with its hide-bound industrial relations system.

Nissan, followed by Toyota Motor and Honda Motor, which have also set up UK plants, showed it could be done. As Mr Terry Belton, operations manager of Ford Motor's Dagenham plant, says: "It was only when the Japanese transplants came here and achieved the same as they did in Japan that we realised we had to sort ourselves out."

British workers have proved much better than the Japanese expected in applying the improvement techniques. And it has been British managers, not Japanese, who have played the central role in the process – even at Nissan UK.



Marie Leadbitter and Lisa McDonnell

Indeed, the changes have been made without cutting out the unions – they have remained in place in almost all existing plants. It is attitudes, not people, which have changed. "Japanese companies have shown you can take a British workforce in Britain and stay competitive," says Mr Tim Eggar, the former industry minister.

It was not easy. Managers in the autodriveline division of GKN, the engineering group, which makes transmission components in Birmingham, recall that they thought Nissan's quality standards were impossible to meet when they first heard about them. But after 10 years of effort, GKN has kept its place as a leading supplier. "To be quite frank we dragged industry into the 20th century," says Mr Ian Gibson, managing director of Nissan UK. "They bitched like hell at the time. Now they can see what a good thing it was."

Nissan's arrival spurred UK rivals, notably Ford Motor, to modernise its work practices, often drawing on Japanese techniques. At Dagenham, the workforce was halved to 4,500 between 1990 and 1995, while output rose to a record of 250,000 cars a year. This year, the UK plant started producing vehicles for Mazda Motor, Ford's Japanese affiliate, coming off the same line and built to the same standards as their own models.

At Rover Group, too, there have been striking advances in productivity despite the uncertainties caused by the break-up of its joint venture with Honda Motor and its sale by British Aerospace to Germany's BMW. Old-established carmakers such as Rover now make much the same quality demands as the Japanese, according to managers at British Steel's Llanwern works.

But while big British companies increasingly compare well on productivity, Britain has a long tail of underperforming smaller companies, according to the competitiveness white paper. As Sir Brian Moffat, chairman of British Steel, puts it: "We have come a long way, but there's still so much to be done."

Studies by the Department of Trade and Industry confirm the same is true for the motor industry: while the UK's car assembly plants can match the world's best, their suppliers mostly cannot. Moreover, the performance gets worse the further down the chain one moves.

There have been significant improvements already in the quality of components supplied to the industry: Nissan estimates that the number of suppliers meeting its top standard of 10 faults per 1m parts delivered has risen from 16 out of 200 to about 50 in the past four years. However, the same figure for Japan is about 150.

Almost all the carmakers' direct suppliers are now closely involved in trying to raise quality and productivity at their suppliers. Some of these direct suppliers are in turn trying to pass the message to their own suppliers, and so on down the chain.

Frederick Woolley, a Lucas supplier, is a conspicuous example. It has established a purpose-built training centre for its 200 staff and for its suppliers, complete with videos and other materials.

Mrs Shirley Woolley, the company's human resources director, says a key lesson is in training workers for a range of different tasks because workshops can no longer afford the luxury of specialist craftsmen. "We are a small company but lots of even smaller companies come to learn from us."

But Mrs Woolley is the first to admit there is a long way to go. While Frederick Woolley's deliveries to Lucas have less than 100 faults per 1m parts, its own suppliers score 3,500 and more.

The problem is that the Nissan effect weakens with distance. The smaller companies further down the supply chain have little direct contact with Japanese-inspired methods. A study last year by Andersen Consulting, the management consultants, found that productivity in the British motor industry was still only 36 per cent that of the world's best plants.

The newly created Industry Forum, which brings together the government and the motor industry, acknowledges that it needs to help smaller companies which want to perform better, but do not know how. It is organising training for such suppliers, including visits to Japan and contact in the UK with Japanese engineers. As Mr Gibson says: "There is little evidence of self-generating improvement among smaller suppliers. It has to come from us."

Even larger companies can find difficulties in meeting some of the disciplines imposed by Japanese carmakers, notably the extent of performance measurement. Under Nissan's QCDDM supplier evaluation system, suppliers are rated for quality, cost, delivery, development of new products and management. Most suppliers accept the first four, but dislike being rated on management because it involves Nissan staff assessing executives at supplier companies – often people more senior than themselves.

"The biggest difference is that in Japan people accept such monitoring," says Mr Steve Frank, a supervisor at the Nissan factory who has been trained in Japan. "We don't like it."

Nissan's influence is not limited to the motor industry. Managers from all over the country flock to Sunderland to visit the plant: tours are booked months in advance. The government has sponsored teams of experts to learn from Nissan and other Japanese carmakers.

At a local level, too, the company shares its knowledge: it arranged highly successful courses at colleges in the north-east for multi-skilled maintenance workers.

But perhaps more significant is the less tangible influence of Nissan and other Japanese carmakers on industry as a whole. At British Steel, Sir Brian says: "The one thing the Japanese motor industry has done is to have taught UK Ltd the value of quality."

There is also a deep appreciation that the reform of work practices has changed relationships between managers and workers for the better. As Mr Gibson says: "We showed that employees are not just dead things in your hands."

OBSERVER

Trading on goodwill

■ The World Trade Organisation has scored an unexpected coup in getting Keith Rockwell, Washington bureau chief of the New York Journal of Commerce, to take on the job as information chief.

Rockwell, 37, rose swiftly through the ranks at the Journal and had been tipped as a possible editor. Usefully for his new spot, he managed to acquire a compendious knowledge of trade issues during the Uruguay Round of global trade talks when he was the Journal's European bureau chief.

In Washington he has been a critic of US trade policy, lambasting the Helms-Burton legislation penalising foreign investors in Cuba and lamenting the failure of American leadership in recent WTO negotiations on financial, telecoms and maritime services.

Rockwell's main task will be to try to raise the WTO's low-key public profile and to push its free trade message. Nor should he have much trouble handling journalists. WTO ambassadors, notoriously secretive, could prove more difficult.

But earlier this month, in an encouraging omen, they agreed to hand out most WTO documents to the public.

Perhaps the hardest part of Rockwell's job will be explaining what these mostly impenetrable papers really mean.

Buying into doom

■ Elaine Garzarelli, the former Lehman Brothers strategist best known for anticipating the 1987 stock-market crash, has been in gloomy mood. Indeed, her prognostications are blamed for some of last week's damage on Wall Street.

Garzarelli, whose model of the market forms the backbone of her newsletter, said all signals were coming up "sell". And many investors then did just that.

And yet. Judging the impact of any one analyst is nearly as difficult as working out whether advertising works, but there are reasons to ask gently whether her influence is really that great.

She has a widespread following among private investors, but relatively shallow fund management support.

Some are suggesting quietly that the market was looking for any reason to fall, and that Garzarelli's alarm call was just an excuse.

Predicting the turn is one thing, but provoking it quite another.

Paperchase

■ Some of the UK's most senior media executives and tycoons have given up reading the newspapers at the weekend.

Instead they're being spoon-fed – for a fee – with all the latest media news from the papers sent by fax to their homes.

The personal bulletins come with the stories ranked in importance like a news list complete with page references.

The executive service comes from Harthill Communications run by Marshall Stewart, a former editor of Radio 4's Today programme and former director of communications at Central Television, the ITV company.

Executives say it saves them at least two hours at the weekend reading the papers.

It could be the start of a new medium.

Indigestible

■ Observer has just received the first issue of the Community of European Management Schools' answer to the existing heavyweight semi-academic business journals.

Like its numerous rivals, it has worthy pieces on themes such as the limitations of the "instrumental perspective" to human resource management (arguing that personnel practice reflects not just managers' objectives but their interpretation by the shopfloor).

But there is a difference. Perhaps reflecting European managers' epicurean tradition, there is an article on wine and food, and three separate editors to co-ordinate future academic papers on the subject.

The first issue – eating and drinking in Atlanta, timed to coincide with the Olympics – warns that although wine is available in the city's restaurants, iced tea is the preferred drink. Worse still, there is simply never a cheese course.

A thesis on the international image problems of European management should perhaps be the next commission.

Cuts both ways

■ The British government's recent efforts to slash red tape remind a reader of his time in Egypt a few years ago.

He was attempting to build a factory, and had become mired in red tape of just about every conceivable kind.

The government then announced that it had opened a bureau – that should have set the alarm bells ringing, as he remarks – to help people cut red tape.

After a month working with the new office, he relates, things had gone from bad to worse.

"But you're supposed to be *cutting* red tape," he bleated. "But we do, we do," beamed the official with that inimitable Cairene charm.

"But you see, we cut it lengthways."

Financial Times

100 years ago

The Rhodesia Rising

Bulawayo. Great distress prevails at Gwelo. The food supplies have run out, and no meat can be had. The inhabitants have asked the authorities to send relief at once. The force under Sir Frederick Carrington is moving through the Matoppo Hills. The reported massacre of the friendlies is much exaggerated, most of the warriors being engaged in salvage operations. The force numbering 300 men under Captain Nicholson had an engagement yesterday with Babyan's Impis. A few of the rebels were killed, and their women and children were captured.

50 years ago

Demand for Diamonds

The demand for diamonds goes on unabated. At the "sights" held in London during the current year, the turnover suggested that the record world sales of £24,500,000 in 1945 may be exceeded by an ample margin. Demand from the United States, always a dominant factor, has remained intense. Moreover, the Amsterdam and Antwerp cutting and polishing industries are regaining much of the ground lost during the war, and their buying has been sustained.

FINANCIAL TIMES
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Limited benefits for employment and trade

Emu would offer 'only modest gains' to Ireland

By John Murray Brown in Dublin

Ireland's participation in European economic and monetary union would produce only modest gains in output, employment and trade even if the UK, Ireland's main trading partner, joins as well, according to a report for Dublin's ministry of finance.

The Economic and Social Research Institute envisages a net gain of 10,000 jobs if Ireland joins and the UK stays out.

Ireland is one of three economies in the European Union which currently qualify for Emu under the Maastricht criteria on debt, budget deficits and inflation.

The economy will benefit from lower interest rates, increased international investment in Ireland, as well as "an intangible confidence factor".

But any move to join a single currency will hit both the financial services sector and manufacturing companies in relatively open domestic markets and dependent on exports to the UK.

"Ignoring unquantifiable effects, joining with the UK should lift gross national product by about 1.4 per cent of GNP on average, and entail an additional 20,000 jobs," the report says.

Without the UK, the gains would be more modest, with GNP growing by 0.4 per cent and providing for 10,000 new jobs over five years.

Ireland is dependent on the UK for less than 30 per cent of its exports, down from around 60 per cent 20 years ago. But the industries most tied up with the UK market – clothes, shoes, textiles and food – tend to be more labour intensive.

The report looked at a range of sectors from building and construction, which were seen to benefit from the more benign interest rate conditions, to concerns which are particularly exposed to the UK market.

The financial services sector will suffer through one-off conversion costs and the loss of foreign exchange business as Ireland adopts the euro currency.

The report says such a move would imperil as much as 7 per cent of the sector's workforce, or between 2,000 and 4,000 jobs.

It also warns that Emu membership will have a long-term impact on the "future development and training of strategic management class within the Irish financial services sector."

The findings, are hardly a ringing endorsement of the government's pursuit of early membership of Emu.

Mr Ruairi Quinn, the Irish finance minister, says that the report will help stimulate public debate.

By highlighting the competitive challenge represented by Emu, the government is hoping to encourage moderation from the unions ahead of the next three-year pay round under the Programme for Competitiveness and Work, which must be agreed by mid-1997.

Belgrade hires UK PR group to advise on image

By Bruce Clark, Diplomatic Correspondent, in London

The Serb-led state of Yugoslavia, until recently an international pariah, has hired Lowe Bell Financial, founded by the British Conservative party's advertising strategist Sir Tim Bell, to improve its image.

Lowe Bell and NatWest Markets, the investment bankers, acted as advisers to a senior Yugoslav delegation which met leading credit rating agencies in London last week in the hope of regaining access to the financial markets.

Sir Tim, a close adviser to Lady Thatcher during her successful election campaigns, has also provided public relations advice for clients ranging from Mr Boris Yeltsin, the Russian president, to the British meat and livestock commission.

But the rehabilitation of rump Yugoslavia, which was subject to stringent international sanctions until last year's Dayton peace agreement, will be a particularly challenging assignment.

Under the guidance of its UK advisers, the Belgrade delegation signalled a somewhat softer line in separate rows over the liabilities and assets of the communist Yugoslav state.

A three-day meeting with the London Club of commercial bank creditors, aimed at reaching an agreement on Yugoslav debt, was described as "constructive and friendly" by the head of the delegation, Mr Vuk Ognjanovic.

Belgrade started legal action in the London High Court earlier this year in an effort to prevent the London Club from making a separate financial settlement with the former Yugoslav republic of Slovenia.

But in a hint that it was pulling back from litigation, the delegation which conducted last week's talks did not include Mr Richard Levy, the lawyer who has been acting for Belgrade in the London courts.

In another sign of a softer attitude, NatWest Markets is understood to have written a conciliatory letter to the Bank of International Settlements, saying that Belgrade was willing to discuss with the BIS the division of the communist state's assets.

Indonesia sends in troops to suppress political violence

By Greg Earl in Jakarta

Hundreds of Indonesian troops were deployed by the government yesterday following the worst political violence in Jakarta, the capital, for 20 years.

The use of troops and some police armed with automatic weapons was a sharp escalation of the government's response to rioting on Saturday, which caused tens of millions of dollars in damage.

The country's president, Mr Suharto, yesterday called for national unity in a speech to mark a Moslem religious holiday, but he did not specifically refer to the riots. "Only with unity and high discipline can we develop a future together," he said.

Indonesian stock and currency markets declined late last week, partly as a result of fresh rumours about Mr Suharto's health. The markets will face a further test today as investors reassess what has been one of the developing world's favoured locations for investment.

Buildings containing eight Indonesian-owned banks were stoned or burned in Saturday's riots, along with several other business premises in a Jakarta secondary commercial district.

More than 200 people had been arrested by last night. The military confirmed two deaths, although there were reports of a higher death toll.

General Feisal Tanjung, the armed forces commander, said the situation was under control but he threatened to continue to crack down on what he described as political extremists behind the violence.

The violence began after police stormed the central Jakarta office of the country's main opposition political party, the Indonesia Democracy Party (PDI) early on Saturday.

Last month, the government engineered the ousting of the popular PDI leader, Ms Megawati Sukarnoputri, triggering a sit-in by her supporters that challenged the government's authority.

Police officers, most equipped with riot shields and batons, lost control of crowds protesting against the office takeover and were forced to wait for army reinforcements with armoured personnel carriers as the attacks on property began.

Ms Megawati called for calm at the weekend. She showed no sign of confronting Mr Suharto, who has ruled for three decades after seizing power from her father, Mr Sukarno. She said: "I would like to continue as normal but now the thing is out of control. I am very, very sad about what has happened."

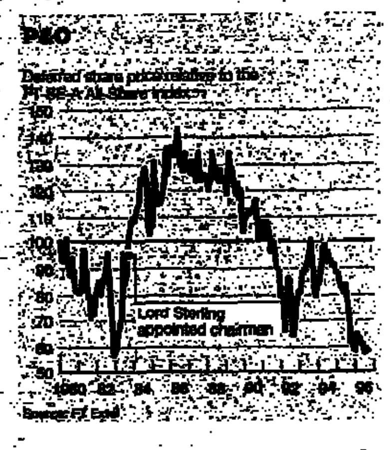
One significant clash occurred yesterday, in which police arrested about 20 demonstrating youths, beating and kicking them in front of foreign journalists.

Indonesia restless under Suharto's tight rein, Page 3

THE LEX COLUMN

Thomson tactics

Why is the French government insistent on privatising Thomson Multimedia as a package with Thomson-CSF? The companies – one a consumer electronics business, the other a defence group – have virtually nothing in common. And each has different suitors: Korea's Daewoo is interested in Multimedia; Alcatel Alsthom, Lagardère and Britain's GEC want a deal with Thomson-CSF. If the government wanted to maximise its sale proceeds, it would hold two separate auctions. So why isn't it?



The conventional answer is that Multimedia would be difficult to sell because it loses money and is weighed down with FFr14bn of net debt. But is this the whole story? The Koreans would presumably still be interested if enough of Multimedia's debt was wiped out. Cash raised from selling Thomson-CSF could be used for the purpose. The snag is that such a manoeuvre would immediately expose the French government to the charge that it was subsidising Multimedia. For example Philips, which is having to slash 6,000 jobs in its consumer electronics business, might argue it was facing unfair competition. Surely, Thomson should have to cut its loss-making European operations too instead of receiving a huge dollop of aid?

Privatising Multimedia and Thomson-CSF as a package may disguise the aid and stop the European Commission's competition authorities asking awkward questions. But it will not change the fact that the former is being subsidised.

P&O

That something needs to change at P&O is self-evident: the long underperformance of the share price speaks for itself. The real question is: what change, and by whom?

The management certainly has plenty to answer for. Too often, despite his reputation as a canny trader, P&O's chairman Lord Sterling has made the wrong call. Staying in cross-channel ferries and container shipping were classic mistakes. So was hanging on to P&O's large property portfolio, essentially a high-inflation strategy. Falling inflation has left the group facing a nasty cash crunch.

Nor did these decisions reflect a coherent plan: the resulting group is a muddle. So it is not surprising that break-up enthusiasts have their knives out. Ditch Lord Sterling, the argument runs, and let a corporate surgeon dismantle the group instead. With brokers like UBS estimating P&O's break-up value at up to 30 per cent above the current share price, the prospect looks mouth-watering.

Such valuations look a bit overdone. UBS, for instance, assumes two entities are demerged: P&O's strongest business, cruise shipping, and its property portfolio. It then puts the rump on a market rating – a distinctly racy valuation, given the gloomy prospects of its main constituent parts. Still, like most messy conglomerates, P&O clearly does trade at a discount. Take into account the fact that many of its businesses would be worth more to their competitors, and the case for slimming down P&O is powerful.

Of course, P&O is making a start. Lord Sterling has promised to float Bovis Homes, sell some property and pull out of bulk shipping. These moves smack of cash-raising expediency but are still welcome. Meanwhile P&O has persuaded the government to allow it to discuss collaboration between its ferries business and Stena's.

Assume this all happens, and what is left? Still rather a ragbag. But it would contain some jewels. And only one major headache would be left: container shipping, the single biggest source of P&O's problems. The problem is that it gobbles up capital yet delivers paltry returns. The trick will be to merge it with one or more of its competitors, boosting its market position and taking out large chunks of cost – either by selling it altogether, or through a joint venture which could later be spun off.

For whoever runs P&O, this is the real test. Ironically, it is also the one convincing argument for leaving Lord Sterling in his job. If there is one good reason why P&O's biggest shareholders do not – yet – want him to walk the plank, it is that his contacts and knowledge of shipping give him a better chance of doing a successful container deal than an imported break-up artist. Moreover, the signs are that shareholders have exerted enough pressure to make Lord Sterling deliver. Nonetheless, they cannot simply take this on trust. The danger – that they may just get constant promises of jam tomorrow – is too great. So they must keep up the pressure. True, a successful container deal could take time, and shareholders do not want P&O to end up a forced seller. But they cannot just sit on their hands for the leisurely 18-24 month restructuring timetable big shareholders mostly envisage; visible signs of progress are needed well before then.

One obvious way for shareholders to protect their interests would be to demand further changes to P&O's board, which has always looked long on Lord Sterling's friends and short on heavyweight independent voices. Two recent non-executive appointments have helped. But shareholders should press for more.

Fiat

Signs are emerging that internal politics at Fiat – always a subject of avid speculation – could be about to take another twist. Officially, everything is calm. But some members of the Agnelli family, which owns 33 per cent of the group, have privately voiced concerns about the powerful role occupied by Mr Cesare Romiti, Fiat's new chairman and not a family member.

According to one theory, the Agnelli family would like to wrest back greater control of Fiat from Mr Romiti and Mediobanca, the Milanese investment bank which backs him. As a result of a shareholder syndicate put in place when Fiat needed a huge capital infusion three years ago, Mediobanca and its allies are able to veto the family on decisions despite owning relatively small stakes. Hardly surprisingly, some family members think the syndicate should be abolished. There has also been speculation that the family is grooming Mr Paolo Fresco, vice chairman of General Electric of the US and a non-executive director of Fiat, to replace Mr Romiti when he retires in two years.

How does all this affect outside shareholders? It rather depends on what the Agnelli family would do if it gained greater control of Fiat. While loosening Mediobanca's power might have some theoretical appeal, turning Fiat into a family fiefdom would not. For investors, it is too early to say which – the family plus Mr Fresco or Mediobanca plus Mr Romiti – would best achieve what really matters: accelerating Fiat's transformation from a relatively diversified Italian-based group into a more focused international company.

Atlanta bomb

Continued from Page 1

investigators have failed to resolve the mystery surrounding the explosion on July 17 of TWA flight 800 which killed all 230 people on board.

The weekend brought no conclusive evidence of what caused that crash, but investigators are exploring whether an explosive device may have been in the cockpit or forward section of the aircraft.

Swissair gambles on inflight casinos

Continued from Page 1

before it will commit itself. Swissair's system will be installed on 16 McDonnell Douglas MD-11 jets and its five Boeing 747s at the rate of two aircraft a month.

Swissair's order is a coup for Interactive Flight Technologies, a 2½-year-old US company which floated its shares on the US Nasdaq market in March 1995 at $5. IFT is capitalised at around $130m. Mr Michail Itkis, the 32-year-old founder, said his philosophy was "not to operate a casino, but to provide passengers with the best inflight entertainment". Swissair's passengers also will be offered up to 60 different movies via a digital video-on-demand system and over 600 music titles.

Swissair is not investing any of its own money – only its reputation – in the project. IFT will recoup its investment from the gambling revenues and will operate the system under a management contract. It will also receive a portion of other revenues for managing the system.

Swissair carries over 3m passengers a year on long-haul flights. If a third gamble and lose $100 each then IFT believes it could recoup its investment within 18 months.

IFT, which lost $4.2m in the six months to the end of April 1996 does not expect to make a profit until 1998.

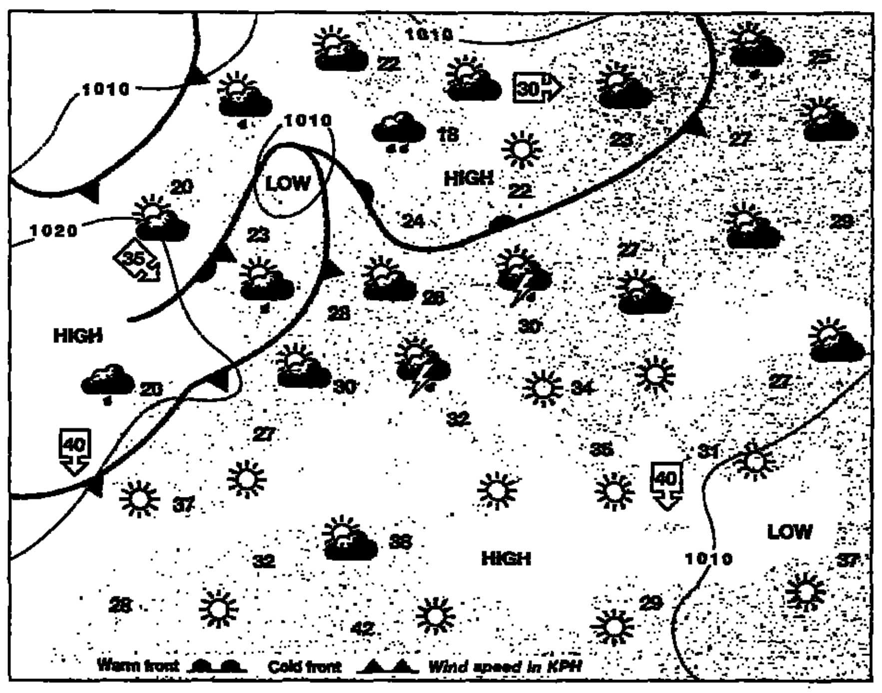
FT WEATHER GUIDE

Europe today

Most of the continent will be warm but thunder showers will occur along a weak front from Moscow through Prague. The southern Alps will have thunderstorms in the afternoon. A depression over England will start to bring more changeable and cooler conditions to western parts of the continent. Northern France and the Low Countries will have thunder showers in the afternoon and northern Spain will have some rain. Northern Scandinavia will be cool and wet but the south will be mainly fair. Abundant sun, with afternoon temperatures as high as 36C, is expected from southern Spain to Bulgaria.

Five-day forecast

Thunder showers will cross the Alps and northern Italy tomorrow. Later this week, southern Italy and the Balkans will have thunder showers. North-western Europe will become windy with showers but France will become dry and sunny again. Most of Spain and Greece will continue hot and sunny. Northern Europe will have periods of rain and will be rather chilly.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	46
Accra	fair	29
Algiers	fair	32
Amsterdam	shower	23
Athens	sun	32
Atlanta	fair	32
B. Aires	fair	19
B.ham	shower	22
Bangkok	rain	31
Barcelona	sun	27
Beijing	shower	33
Belfast	fair	18
Belgrade	sun	35
Berlin	fair	23
Bermuda	fair	26
Bogota	fair	20
Bombay	rain	29
Brussels	thund	25
Budapest	sun	32
C.hagen	fair	18
Cairo	sun	37
Cape Town	rain	11
Caracas	fair	31
Cardiff	rain	19
Casablanca	fair	28
Chicago	rain	24
Cologne	shower	27
Dakar	fair	31
Dallas	fair	37
Delhi	cloudy	31
Dubai	fair	44
Dublin	fair	19
Dubrovnik	sun	32
Edinburgh	rain	18
Faro	sun	30
Frankfurt	fair	28
Geneva	thund	28
Gibraltar	sun	28
Glasgow	shower	19
Hamburg	fair	22
Helsinki	fair	21
Hong Kong	rain	29
Honolulu	fair	32
Istanbul	sun	27
Jakarta	fair	32
Jersey	shower	19
Karachi	fair	32
Kuwait	sun	45
L. Angeles	fair	27
Las Palmas	fair	27
Lima	cloudy	18
Lisbon	sun	30
London	thund	23
Lux.bourg	fair	26
Lyon	thund	29
Madeira	fair	25
Madrid	sun	33
Majorca	sun	29
Malta	sun	34
Manchester	shower	21
Manila	thund	35
Melbourne	rain	15
Mexico City	shower	19
Miami	fair	33
Milan	fair	30
Montreal	fair	24
Moscow	shower	23
Munich	shower	25
Nairobi	fair	23
Naples	sun	33
Nassau	shower	32
New York	cloudy	23
Nice	fair	29
Nicosia	sun	38
Oslo	fair	20
Paris	fair	27
Perth	rain	22
Prague	thund	25
Rangoon	rain	29
Reykjavik	fair	12
Rio	cloudy	25
Rome	sun	32
S. Frsco	fair	22
Seoul	shower	33
Singapore	fair	32
Stockholm	fair	21
Strasbourg	fair	28
Sydney	fair	17
Tangier	sun	31
Tel Aviv	sun	35
Tokyo	fair	30
Toronto	shower	24
Vancouver	fair	24
Venice	fair	27
Vienna	thund	27
Warsaw	cloudy	24
Washington	thund	24
Wellington	fair	12
Winnipeg	shower	23
Zurich	fair	26

FINANCIAL TIMES
COMPANIES & MARKETS

Monday July 29 1996

SBC Warburg loses seven top clients

By Nicholas Denton

SBC Warburg, the investment bank created when Swiss Bank Corporation acquired SG Warburg last year, has lost nearly a third of its largest UK corporate finance clients since the takeover.

An FT analysis shows that of 24 companies in the FTSE-100 index which were listed last year as SG Warburg clients, seven have dropped it as adviser. Five of them have not publicly disclosed the change.

BOC Group, the industrial gases producer, has in the last month switched to J.P. Morgan, with Schroders advising on transactions in Asia.

BOC said: "We wanted somebody who could give us a bit more global coverage."

Burton Group, the clothing retailer, has hired BZW and worked with the Barclays Bank division on its recent acquisition of Innovations.

Boots Company, the chemists, used CS First Boston on a disposal and the company is also in contact with Kleinwort Benson.

Courtaulds, the textile manufacturer, said it dropped SBC Warburg about two months ago after the account directors assigned to it left the bank. It has named J.P. Morgan as adviser.

Enterprise Oil, which is close to Mr Bill Harrison, the new chief executive of BZW, said SBC Warburg was no longer regarded as its lead bank.

In an announcement earlier this month, Legal & General, the life assurance company, said it was appointing Schroders and J.P. Morgan as advisers.

The seventh FTSE-100 switch from SBC Warburg was marked by Southern Electric's use of BZW in its bid for Southwest Water.

Clients have abandoned SBC Warburg largely because of the departure of the Warburg corporate financiers they knew. Of 136 executives of director level and above in the merchant banking division, at least 55 have resigned or been dismissed since the takeover by SBC.

The erosion of Warburg's UK client base – the largest in the City – compares with the reverses suffered by Schroders, Morgan Grenfell and Kleinwort Benson in the 1980s and early 1990s.

SBC Warburg remains firmly in place at eight FT-SE 100 companies: General Electric Company, GKN, Grand Metropolitan, Great Universal Stores, Reed International, Reuters Holdings, Thorn EMI and TI Group.

At a further nine FT-SE 100 companies – Allied Domecq, BAT, PowerGen, Sainsbury, Siebe, Smiths Industries, Tate & Lyle, Unilever and Zeneca – SBC Warburg remains on the panel of regular advisers while fighting to maintain its position.

However, it appears the worst of the client losses are over; SBC Warburg has had no recent notifications from its clients that its role is being re-examined. SBC Warburg is also understood to have won a large mandate from a company with which it has no listed relationship.

Shaking up the cororate list, Page 18

Rome to seek buyers for Banco di Napoli

By Andrew Hill in Milan

The Italian Treasury is to seek buyers for Banco di Napoli, one of the country's largest banks, by the year's end, to counter potential European Commission objections to its plans for a L2,000bn ($1.3bn) cash injection.

The Treasury now controls the Neapolitan bank, which lost a record L3,155bn last year. It will vote at tomorrow's shareholder meeting for a L2,288bn capital increase to cover the losses and give it direct ownership of almost all the shares.

Under pressure from Brussels' competition authorities, the government has dropped its original plan to invite participation from other banks now and launch the full privatisation process at the end of next year.

With the end-July deadline approaching and the Commission hinting at a full-scale state aid inquiry, no bank had come forward with a firm pledge to convert loans into equity.

On Friday, the government approved a new decree which will hive off L10,000bn of the bank's riskiest loans – about a fifth of the total loan portfolio – into a separate company which will be liquidated. The Treasury will then try to sell all or part of its stake by January.

Mr Carlo Azeglio Ciampi, the Treasury minister, believes the new plan will make Banco di Napoli more attractive to investors, which would otherwise have worried about the continued provisions for bad loans.

"Freed of these [risky] loans, the bank ... will return to normality. Hence the decision to bring forward privatisation. We think that restructured like this, the institution can interest other banks, with the whole process in line with European Union rules," said Mr Ciampi.

The new plan is similar to that adopted by the French government for the relaunch of Crédit Lyonnais and approved by the Commission a year ago.

Analysts have expressed doubt about the chances of a rapid and successful privatisation, given Banco di Napoli's track record and its long-standing reputation as a political rather than a financial powerbase in the poor south of Italy.

Italian members of parliament have divided along geographical lines in the last fortnight over whether to pump more money into the bank, with the separatist Northern League arguing against and the right-wing National Alliance, which is strong in the south, in favour.

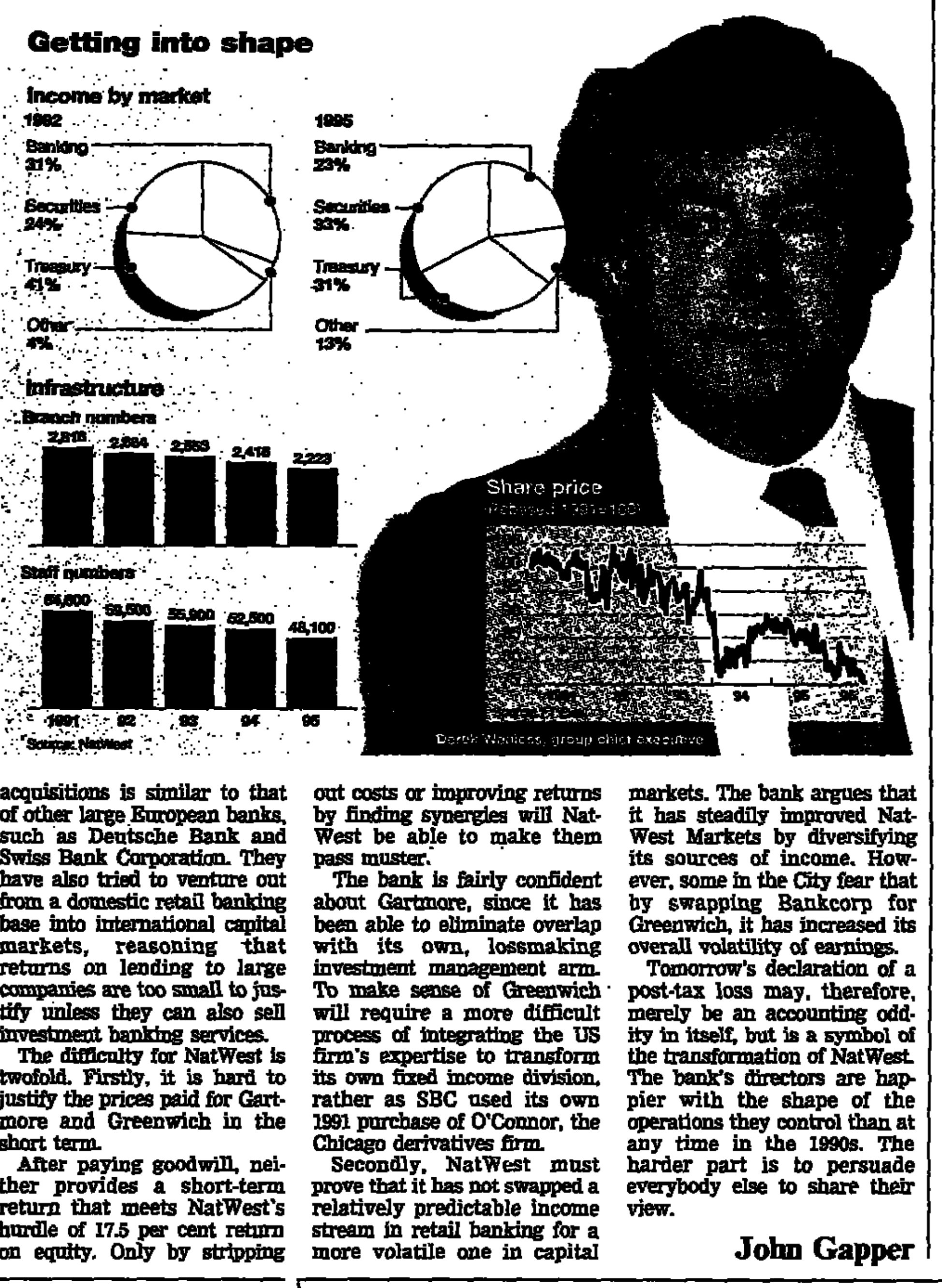
In fact, Mr Federico Pepe, brought in as chief executive last summer, has already achieved some progress with a restructuring plan, including a recent agreement for a reduction in labour costs, and the sale of the bank's northern Italian branch network.

In recent weeks, reports suggested that Banco Ambrosiano Veneto, one of the biggest private sector banks, was a front runner to participate in the rescue of the Naples bank, along with Treasury-controlled banks such as Mediocredito Centrale and Banca Nazionale del Lavoro.

They and their competitors will now have at least until autumn to decide whether to invest.

The UK bank, slipping into deficit, is gaining some plaudits for cost-cutting and its disposals

Investors begin to listen to NatWest's alternative message



Three and a half years after Barclays shocked British investors by making a loss, its largest rival is to follow suit. Tomorrow, National Westminster Bank will declare a post-tax loss of about £100m ($155m). It will recall the days of the early 1990s, when British banks had to write off large sums to compensate for imprudent lending and expansion in the 1980s.

Yet NatWest's loss is more of an oddity than a calamity. It is caused by having to write down profits by £690m to meet accounting standards on the $3.6bn sale of NatWest Bancorp, its US retail bank. The bank is also likely to make a provision of about £250m against the sale of UK branches and property over the next few years as it reduces its network.

Barclays' £242m loss for 1992 acted as a catalyst in the bank's renewal under Mr Martin Taylor, its chief executive. NatWest Group – as the bank now prefers to be known – hopes its loss may mark an important step in rehabilitating its image in the City. Since Mr Derek Wanless took over as its chief executive in 1992, NatWest has had to struggle to make its case appreciated.

There are signs in its share price that it is getting through, particularly since it pleased analysts last autumn by disclosing a more robust approach to cost cutting.

Although its number of staff and UK branches have fallen steadily in recent years, it still has some of the legacy of a bloated network reaching back to the merger of the National Provincial and Westminster banks in 1970.

NatWest also has the unwelcome reputation of being the most bureaucratic and slow-moving of any of the Big Four banks. While Lord Alexander, its chairman, and Mr Wanless have attempted to reform its culture and structure, it has been an enormous task. Mr Taylor had the advantage at Barclays of inheriting a bank that had been better managed over a longer period.

They are now gaining some plaudits among an investment community that formerly looked on them rather grumpily. Apart from NatWest's cost-cutting strategy, which one analyst estimates could add £400m a year to underlying profits, they have disposed of NatWest Bancorp, which few analysts could see any point in the bank owning in the long term.

"Having been one of the sector's laggards, there are signs of a new-found commitment there," says Mr Peter Toeman, an analyst at ABN Amro Hoare Govett.

Since the Bankcorp sale, NatWest has agreed in principle to sell 80 per cent of its Spanish retail bank, having already pulled out of overseas forays in France, Australia and the Netherlands.

This leaves it with a set of operations that it wants to develop and expand. One director says that the results for the first half will be "largely incomprehensible" because they are so heavily skewed by write-offs and provisions. Yet the underlying business is roughly in the shape Mr Wanless has been seeking since taking over a sprawling set of operations.

It now has retail banks in the UK and Ireland; Coutts & Co, a private bank; a UK financing and leasing operation called Lombard; and a global investment bank called NatWest Markets with a fund management arm called Gartmore. The first three are long established businesses but the fourth is a fairly recent creation into which NatWest is still pouring resources.

The most controversial part of its strategy is investment banking and fund management. In the past year, it has spent $135m on a US corporate finance boutique run by Mr Eric Gleacher, £472m on Gartmore in February and $590m on Greenwich Capital, a US government bond trading firm in June.

The strategy behind such acquisitions is similar to that of other large European banks, such as Deutsche Bank and Swiss Bank Corporation. They have also tried to venture out from a domestic retail banking base into international capital markets, reasoning that returns on lending to large companies are too small to justify unless they can also sell investment banking services.

The difficulty for NatWest is twofold. Firstly, it is hard to justify the prices paid for Gartmore and Greenwich in the short term.

After paying goodwill, neither provides a short-term return that meets NatWest's hurdle of 17.5 per cent return on equity. Only by stripping out costs or improving returns by finding synergies will NatWest be able to make them pass muster.

The bank is fairly confident about Gartmore, since it has been able to eliminate overlap with its own, lossmaking investment management arm. To make sense of Greenwich will require a more difficult process of integrating the US firm's expertise to transform its own fixed income division, rather as SBC used its own 1991 purchase of O'Connor, the Chicago derivatives firm.

Secondly, NatWest must prove that it has not swapped a relatively predictable income stream in retail banking for a more volatile one in capital markets. The bank argues that it has steadily improved NatWest Markets by diversifying its sources of income. However, some in the City fear that by swapping Bankcorp for Greenwich, it has increased its overall volatility of earnings.

Tomorrow's declaration of a post-tax loss may, therefore, merely be an accounting oddity in itself, but is a symbol of the transformation of NatWest. The bank's directors are happier with the shape of the operations they control than at any time in the 1990s. The harder part is to persuade everybody else to share their view.

John Gapper

INSIDE

Berlusconi's heir apparent

Mr Silvio Berlusconi's eldest daughter Marina, 29, was yesterday confirmed as heir apparent to the former Italian premier's media, finance, property and retail empire when she was named deputy chairman of Fininvest, the private family holding company. Ms Berlusconi was already on the Fininvest board.
Page 19

Crédit Foncier

Trading will resume today in the shares of Credit Foncier de France, the troubled property lender, as investors, employees and executives mull over the salvage package announced last Friday. The Caisse des Dépôts et Consignations, the state-controlled financial institution, will in the next few weeks launch a FFr2.6bn bid for Crédit Foncier at FFr70 a share.
Page 19

Guardian Royal Exchange

Guardian Royal Exchange, the UK composite insurer, is to launch a new low-cost motor insurer in Germany. Called Die Alternative Versicherungs-Aktiengesellschaft, it will be a wholly-owned subsidiary of Albingia Versicherungs-Aktiengesellschaft, which is 86 per cent owned by GRE. Die Alternative will offer basic, low-cost motor insurance to customers who do not require extra benefits such as towing services or extra cover on their motor policies.
Page 18

Fund Management

Wall Street may be having its problems but they do not seem to have dented the bull market for US money management firms. Morgan Stanley's $1.1bn acquisition of the Van Kampen mutual fund business and Franklin Resources' $800m purchase of Heine Securities have captured the headlines. But these mega-deals have been matched by a spate of smaller moves.
Page 28

Bass and Carlsberg merger delayed

By Roderick Oram, Consumer Industries Editor

A merger of the UK brewing interests of Bass and Carlsberg, the Danish brewer, is being delayed by complex measures designed to avoid a reference to the Monopolies and Mergers Commission, the UK regulatory body.

The sale of Allied Domecq's half share of Carlsberg-Tetley for about £200m ($310m), may form part of a wider deal still being studied by the companies' advisers.

Unless Bass and Carlsberg can find a away to minimise Bass's market share, Bass will have to shed brands and pubs to satisfy the UK's Office of Fair Trading and to avoid an MMC inquiry. Such is the complexity of the interlinking agreements between the three companies, an announcement could slip beyond this week's target date. "I've never seen so many pieces of paper," one participant said.

The simple solution of Bass buying all of Carlsberg-Tetley would give Bass about 38 per cent of the UK market and trigger protracted competition investigations and negotiations with the government, a leading analyst said. Using the Scottish & Newcastle/Courage deal as a benchmark it would have to shed more than 1,000 pubs – approaching one-fifth of its estate – if the merger gave it a market share approaching 40 per cent.

The other key element of the deal is Allied's agreement to buy beer from Carlsberg-Tetley. The agreement which expires at the end of next year generates a large chunk of the joint venture's profits because Allied pays above market price for the beer. Allied could help solve the problem by taking a leaf from Grand Metropolitan's books. GrandMet took a balance sheet write-down on its agreement to pay above market prices for Courage beer when Courage bought GrandMet's breweries.

For Allied, writing-down its Carlsberg-Tetley stake, on its books at £260m, and the supply agreement, could take a £300m chunk out of its balance sheet but ultimately improve its earnings.

Bass decided last year against making an offer for fellow brewer Courage. The seller, Foster's Brewing Group of Australia, was demanding a bid unconditional on regulatory approval. But after long negotiations Bass judged as too great the financial risk of owning assets it might have to sell, according to a participant in the negotiations. Scottish & Newcastle subsequently bought Courage to deprive Bass of its traditional role as the UK's largest brewer.

Such issues have caused Bass throughout this year to blow hot and cold on the merits of pursuing Carlsberg-Tetley. Since Allied triggered negotiations by putting its stake up for sale, Bass has struggled to craft a deal that met its own demanding commercial criteria while standing a high chance of satisfying competition regulators. Allied's insistence on an unconditional deal to secure its exit from brewing proved a stumbling block. Then, "some weeks ago, Bass agreed to discuss an unconditional deal. The log jam was broken", said a person familiar with the negotiations.

Carlsberg and Bass have agreed to accept almost all the regulatory risk in a deal which will value Allied Domecq's stake at about £200m, according to one of the parties.

COMPANIES IN THIS ISSUE

Record year for bonds looms

By Peter John in London

A record year is in prospect for international bond issues after the value of bonds issued in the first six months leapt to $350bn, up 60 per cent against the same period in 1995, according to IFR Securities Data.

High levels of government borrowing and corporate bond transactions have included unusually big one-off deals. Heavy activity has also been seen in the international equity and syndicated loan markets.

The principal driving forces behind the unprecedented business are low interest rates and availability of cash.

Among international equities the comparative figures are $36bn against $16bn, with European markets fuelled by some high-profile privatisations such as Railtrack in the UK and AGF in France.

The figures were compiled too early to include one of the year's biggest deals, a recent FFr40bn ($7.75bn) securitisation from Crédit Lyonnais, the French bank – the largest ever transaction in the international bond market.

Syndicated loans accounted for $525bn against $552bn during the first half of last year. Mr David Tory, head of syndication at Merrill Lynch, said the seeds for this year's buoyant activity were sown during last year's bond market bull run. "Last year was an excellent year for fixed income investments so all the fixed income investors started 1996 with lots of cash."

Moreover, this year has seen very high levels of bond redemptions. According to Euromoney's capital markets data base, about $115bn of dollar bonds are due to mature this year, compared with $89bn last year. And as bonds have matured, global investors have been looking for new homes for their cash.

"When you have supply [of cash from maturing bonds] coming into the market in record volumes you have liquidity in very high levels and very high issuance," said Mr Tory.

Also, pricing has been clamped very tight because of intense competition among investment banks for business. That has kept spreads low and made issuance comparatively cheap.

Nicholas Denton finds the bank was weaker, and is now stronger, than it appears

SBC Warburg shakes up its corporate list

When Swiss Bank Corporation acquired SG Warburg last year, Sir David Scholey, chairman of the UK investment bank, said the two fitted together "like the clunk of a Rolls-Royce door". But the groups have been slammed together too forcefully for some of Warburg's delicate corporate finance clients.

Nearly a third of its FT-SE 100 clients have been shaken loose, an analysis has shown. In addition, it emerges that BICC, Electrocomponents, Ellis & Everard, London International Group, Mercury Asset Management and Moss Bros have formally or informally dropped Warburg.

Already on the public record are defections by Laporte, Northern Electric, Sedgwick Group and Wessex Water. In one of the most damaging changes, Halifax Building Society said it would use Deutsche Morgan Grenfell to lead its huge flotation next year.

But the apparent erosion of Warburg's corporate finance client list – the longest and strongest in the City, and the main attraction for SBC – may not be as severe as it looks on the surface.

The most serious sign of damage to the underlying business is the number of departures among SBC Warburg's corporate financiers, who handle client contacts. The bank retains one of the deepest teams in the City, made up of respected professionals such as Ken Costa, Robin Budenberg, Steven Latner and Robert Gillespie.

However, in the merger, it lost the most senior layer of management – Sir David Scholey, Lord Cairns, the former chief executive, and Derek Higgs, chairman of the merchant banking division – and their array of personal contacts. These departures were inevitable, but SBC Warburg also lost younger dealmakers in day-to-day contact with important clients such as Mark Seligman, Michael Tory and Philip Yates. Mark Nichols, briefly head of corporate finance, left for health reasons.

"Warburgs has been turned upside down," says the head of corporate finance at another house.

Some defectors from Warburg – who may have an axe to grind – say that the new corporate finance style of the house has put some clients off. They say the management has introduced revenue targets and strongly encouraged executives to sell products from other parts of the group, such as financing. Whatever the truth, even the perception that SBC Warburg has put a new emphasis on boosting profits, has encouraged some competitors which are not part of integrated investment banks to market the purity of their advice. Schroders is the prime beneficiary of Warburg client defections.

However, defenders of Warburg say the position is better than it appears. Their argument is, in essence, that the pre-takeover Warburg had stored up troubles for itself and that its client losses are as illusory as was its earlier huge client franchise.

The succession to Sir David and Lord Cairns, with the inevitable disruption to the corporate hierarchy and client relationships, had to be confronted whether or not Warburg remained independent.

The level below them was overcrowded and sometimes mediocre. SBC Warburg encouraged out of the door several of the executives whose departures were presented by their new employers as defections.

It was only after the acquisition by SBC that Warburg thoroughly implemented industry groups, the teams of corporate financiers specialising in a particular sector, which is the way most investment banks now organise themselves. The reorganisation contributed to the turnover of account directors so unsettling to clients, but the change should allow SBC Warburg to match the expertise of some of the specialists at US investment banks.

The client list, as well as the way Warburg was organised, was ossified. Some clients such as Boots, listed in Crawford's Directory of City Connections as Warburg clients, had not used the bank for several years. Others, particularly smaller clients such as Electrocomponents were unprofitable. Nor did the Crawford's list reflect the increasing tendency of larger companies to obtain their advice from a range of investment banks.

Just as Warburg was weaker than it appeared in the past, so it is almost certainly stronger now than its FT-SE 100 list shows. SBC Warburg's booming UK equities business has an estimated 15-16 per cent of marketmaking volumes, compared with 13 per cent for the two firms before they merged.

And the investment bank is offering, and selling, a wider range of services to Warburg's UK client base, which was the main purpose of SBC's acquisition. For instance, SBC's expertise with derivatives has allowed the investment bank to devise a sophisticated employee share ownership programme for one of the FT-SE 100 clients.

In any case, the City's obsession with SBC Warburg's UK client losses misses the point. First, the investment banking market is becoming more international, so SBC Warburg was bound to give up ground in the UK to US investment banks. And, second, SBC acquired Warburg for £860m. Paying book value for the UK's strongest investment banking franchise, you can afford to drop a few clients.

Sir David Scholey: his departure was inevitable

BICC	Switched to Schroders after SBC takeover of Warburg
BOC	Switched to JP Morgan, with Schroders for deals in Far East
Boots Company	Close to CS First Boston and Kleinwort Benson
Burton Group	Moved after Warburg advised House of Fraser. Now with BZW
Courtaulds	Left Warburg after departure of account directors. Now particularly close to JP Morgan
Enterprise Oil	SBC Warburg no longer regarded as lead bank. Close to Bill Harrison, new chief executive of BZW
Forte	Taken over by Granada
Halifax BS	Switched to Deutsche Morgan Grenfell for advice on flotation
Laporte	Moved to Schroders
Legal & General	Announced switch to Schroders and JP Morgan
London Int'l Grp	Turnover of Warburg executives prompted switch to DMG
Mercury Asset Man.	Lazard Brothers now sole adviser
Moss Bros	Switched to Baring Brothers
Northern Electric	Moved to Schroders because of SBC Warburg conflict: SBC had advised Trafalgar House, bidder for Northern
PowerGen	Goldman Sachs advised on bid for Midlands Electricity
Sedgwick Group	BZW came in as adviser alongside NM Rothschild
Southern Electric	BZW was lead adviser in bid for Southwest Water, and Rothschild defended company against National Power
Wellcome	Warburg conflicted out of bid defence Taken over
Wessex Water	Followed Mark Seligman from SBC Warburg to BZW
Zeneca	BZW added to roster

ABN Amro plans Asia branch network

By Gordon Cramb in Amsterdam

ABN Amro, the Netherlands' largest bank, is to build a branch network in Asia in an unusual move by a western institution into the market for retail deposits in the region.

It forms the main part of an Asian expansion plan on which the bank is to spend Fl 1bn ($601m) by 2000. The investment represents a doubling of its commitments to the region, in which it has been active primarily in trade finance.

A network of 30 branches will be built in Thailand, Taiwan, Malaysia, Indonesia, India and Pakistan – countries where ABN Amro believes it can best compete with local groups.

Mr Michael Drabbe, the bank's director for foreign operations, said in a Dutch press interview at the weekend that consumers there usually faced "long queues, piles of forms, endless waiting".

ABN Amro, operating under its own name, will offer mortgages and other credit facilities targeting the urban middle class. It is seeking to mirror its success in sectors such as car finance where it is strong in markets such as Brazil.

Citicorp of the US is among the few western groups in recent years to have built a large consumer banking network in Asia. Markets such as Malaysia are also served by large regional institutions like Hongkong Bank.

ING, the main Dutch rival to ABN Amro, has developed expertise in emerging economies – this month it took control of Bank Slaski in Poland.

One senior Amsterdam banker said yesterday: "For ING it makes sense to have retail operations in some emerging markets. But ABN Amro does not have a big insurance subsidiary, so it would be focused just on banking. Its name will not be known to the public, and it seems a huge risk."

ABN Amro says the move reflects its ambition to offer a full range of banking activities across the world. Mr Drabbe told Het Financieele Dagblad, a business daily, that in the region ABN Amro had "not grown at the speed with which Asia has grown".

Asia brings in only some 6 per cent of group profits. The investment, which will take the number of Asia staff to 6,000 from 2,900, is intended to double this contribution.

The bank has chosen organic growth in Asia because it regards acquisitions there as difficult to make.

It has established a regional centre in Singapore but does not intend to offer retail services on the island. Along with those of Japan, Hong Kong and South Korea, it regards the Singapore consumer market as well enough served.

NEWS DIGEST

Deutsche Bank looks to restructure

Deutsche Bank, Germany's largest bank, wants to "Europeanise" its industrial holdings and reduce its large stakes in domestic companies, said Mr Hilmar Kopper, chairman. But he insisted in a magazine interview published today that the bank could not afford to cut back significantly on its more profitable industrial holdings because it would mean paying a 60 per cent capital gains tax on profits.

"It is unthinkable that we should hand over 60 per cent of the profits from share price gains to the state and only 40 per cent to our shareholders," Mr Kopper told Der Spiegel, the weekly news magazine. He added that the German government should introduce a more flexible tax law, a view long argued by the bank. Instead, depending on the holding, Deutsche would engage in a two-pronged strategy aimed at reducing and restructuring the stakes at home while seeking to "Europeanise, possibly even globalise our investments".

"We don't just want to reduce our [domestic] stakes but restructure them," said Mr Kopper. He ruled out earlier suggestions by Mr Jürgen Krumnow, the bank's finance director, that Deutsche would consider reducing its stake in Daimler-Benz, the industrial group, to below 25 per cent. "This would mean selling it to, for example, Toyota [the Japanese motor group]. I can only laugh at that," he added.

Mr Kopper's remarks follow a series of financial scandals in companies where Deutsche holds large stakes and where Mr Kopper is a member of the supervisory board. They include Metallgesellschaft, the industrial and trading company that nearly collapsed in 1994, and Klöckner-Humboldt-Deutz, the German engineering group whose management last month failed to report hidden losses. *Judy Dempsey, Bonn*

Porsche sees sales improvement

Porsche, the German sports car maker, said its drive back into profits was picking up speed following a surge in demand and record production of its 911 model. According to preliminary figures for the year ending July 31, the Stuttgart-based group expects turnover to rise about 8 per cent to DM2.8bn ($1.89bn) on a year ago. It declined to specify its profits but said operating profits had been stronger in the second half than in the first, when the group reported operating profits of DM10.3m. Final results will be published in early December.

The improvement in Porsche's fortunes has been helped by record production of the 911 model. Porsche said it had produced 20,100 911s this year, up from 17,293 a year earlier. However, rising sales were being driven by export markets, especially the US where Porsche has sold about 7,000 of its 911 model. In Germany, where Porsche sold 5,700 911s – 2 per cent less than a year earlier – sales have been slowed by a tax on office cars introduced this year. *Michael Lindemann, Bonn*

Statoil hurt by stronger dollar

Statoil, the Norwegian state oil company, reported improved performance from its oil, gas and refining operations in the first half. Operating profits rose from NKr7.6bn to NKr8.2bn ($1.29bn). Higher oil prices, good regularity of offshore production, increased output and better results from refining activities offset a substantially weaker showing from its petrochemicals division.

The company blamed a slump in pre-tax profits from NKr9.1bn to NKr7.6bn on higher long-term debt values caused by the strengthening of the US dollar against the krone. Borealis, its petrochemicals joint venture with Neste of Finland, suffered a collapse in operating profits from NKr973m to a loss of NKr19m. Statoil said a steep fall in margins had bottomed out at the end of 1995, and a recovery was noted in the first six months.

Turnover rose to NKr49.5bn, against NKr44.4bn, reflecting production start ups in new fields, operations at foreign subsidiaries and increased purchases and sales of crude oil. Oil and gas operations reported an increase in operating profits from NKr6.8bn to NKr7.6bn. *Greg McIvor, Stockholm*

Neste loses on crude oil trades

Neste, Finland's biggest industrial group by turnover, says it has suffered a FM285m ($63.4m) loss from crude oil trading so far this year. Mr Veli-Matti Ropponen, chief financial officer, said that most of the losses stemmed from long-term contracts concluded several years ago which were linked to its former offshore activities in the UK North Sea sector. He said Neste hedged its crude oil commitments against price risks but had incurred losses recently – particularly in June and July – when unexpectedly high oil prices exceeded the upper hedging limit.

Crude oil trading accounts for about 40 per cent of Neste's sales. Mr Ropponen stressed it was no longer group policy to conclude long-term trading contracts. The majority of such contracts had already matured, and the rest would be completed by mid-1998. The group said the FM285m loss included a provision for an anticipated risk of loss for the rest of the year. *Greg McIvor, Stockholm*

GRE enters German car insurance

By Motoko Rich

Guardian Royal Exchange, the composite insurance group, is to launch a low-cost motor insurer in Germany.

Die Alternative Versicherungs-Aktiengesellschaft will be a wholly-owned subsidiary of Albingia Versicherungs-Aktiengesellschaft, which is 86 per cent owned by GRE.

Die Alternative will offer insurance to consumers who do not require benefits such as towing services or extra cover on motor policies.

Policies will initially be sold through 150 of the 900 tied agents and some of the 1,500 brokers that sell Albingia policies, on which they receive commissions double that on Die Alternative policies.

Continuing deregulation in the German market and depressed disposable incomes have fuelled demand for low-cost motor insurance.

Mr Volker Bremkamp, European regional executive director, said: "It is essential the customers' demands for less expensive products are met. This development will allow us to offer a real alternative package of insurances to motorists in Germany."

Albingia expects Die Alternative to generate profits by the turn of the century.

Even before it has made a formal offer, Hays is talking of a hostile bid

Salvesen chief prepares for battle

By Jane Martinson

Mr Chris Masters, chief executive of Christian Salvesen, said yesterday that it was "difficult to see any clear industrial logic" in the £1bn-plus takeover bid by Hays, a rival distribution group.

Although no decision will be made before a board meeting on Wednesday, Mr Masters said: "I can't see at this stage from the information we have that this is in the long-term interests of our shareholders."

The comments are set to increase expectations of a formal rejection of the offer following the Wednesday meeting.

Mr Masters, who cut short a holiday on Friday after Hays made its approach, said that the main savings from the deal would be financial, focusing on tax efficiencies rather than any synergies between the two groups.

During the six years of his captaincy the group had been refocused into a mainly logistics and specialist hire outfit, and efficiencies had already been made, he added. The benefits of closing the Edinburgh-based group's 60-strong head office would be small.

He particularly criticised any suggestion that Aggreko, Salvesen's specialist hire business, could be merged with Rescrate, owned by Hays. The move "could be negative", he said, as they were totally different businesses.

Mr Ronnie Frost, chairman of Hays, still hopes to persuade the Christian Salvesen board to recommend an offer. However, the distribution, personnel and parcels group will consider a hostile bid if no recommendation is forthcoming on Wednesday.

No meetings are tabled between the two sides before Wednesday. Much of Mr Frost's chance of success hinges on the decision of the Salvesen family, several hundred members of which own 38 per cent of the shares. Robin and Andrew Salvesen are board members.

Mr Frost has said that the distribution business provides the primary rationale for the bid chiefly because of the geographical fit between the two in European markets. Hays would use Aggreko, Salvesen's specialist hire business, to strengthen the industrial support side of its commercial division, but it has not said that it would be merged with any other part of the business.

Salvesen's food processing division – representing about 10 per cent of group sales – is the only one likely to be sold following a merger.

Shares in Salvesen jumped 72p in two days after Hays revealed its intentions, although no formal offer had been made. They closed at 361p on Friday. Hays is expected to offer between 350p and 380p a share, valuing the group at up to £1.2bn.

A successful takeover would catapult Hays into the FTSE-100 with a market capitalisation of about £2.7bn.

Intria expected to take 40% stake in Costain

By Jane Martinson

Intria, the Malaysian construction company, is expected control 40 per cent of Costain, the UK construction group, after the results of a share issue are announced today.

Costain shareholders approved a £73.6m ($114.8m) rescue package last week, of which about £41m was underwritten by the Malaysian group, in a 3-for-1 deal at 50p each.

It is not known how many shares are left with Kharafi, the Kuwaiti construction company opposed to the deal, nor Raymond International, the Saudi Arabian group which voted in favour.

Costain's refinancing plans received a setback when Lonrho, the UK conglomerate, withdrew from the purchase of its remaining US coal operations on Wednesday.

Costain is expected to be left with net cash of about £30m and shareholders' funds of about £42m.

LGT on the money-go-round

Small fund managers may not be headline stuff but they are still making news, writes **William Hall**

FUND MANAGEMENT

Wall Street may be having its problems but they do not seem to have dented the bull market for US money management companies.

Morgan Stanley's recent $1.1bn acquisition of the Van Kampen mutual fund business and Franklin Resources' $800m purchase of Heine Securities have captured the headlines.

But these mega-deals have been matched by a spate of smaller moves.

Pension & Investments, a US bi-weekly trade magazine, estimates that the value of deals in the US in the first half 1996 is equivalent to 80 per cent of the value of all last year's transactions.

The latest on to the money merry-go-round is the Liechtenstein Global Trust (LGT), the private banking and fund management group controlled by Liechtenstein's royal family. It is more than doubling its assets under management, to $60bn, with the $300m purchase of New York's Chancellor Capital Management, Citicorp's old investment management division.

Chancellor changed its name in 1986 when Citicorp sold it to USF&G. Since then its managers have bought themselves out, increased their funds under management from $18bn to $33bn, and are now selling out after less than four years for almost three times Citicorp's exit price.

Leaving aside the question of the price, the deal looks a good strategic fit. Chancellor, which has some 300 US institutional clients, is strong in domestic US equities and bonds, but does not have international clout. LGT, by contrast, owns GT, a UK fund manager, which has nearly 100 retail funds and a strong global brand name, but has never managed to crack the US institutional market. In terms of employees, LGT, which was founded in 1969, has 1,200, and Chancellor which was founded in the early 1950s, has 200. However, Chancellor has more funds under management.

The idea is that GT will tap Chancellor's US expertise to raise its profile in the domestic US mutual fund industry while Chancellor will exploit GT's global coverage to service the increasing appetite of US institutions for international equities. It is being billed as one merger whose success will be judged by the scope for raising revenues rather than its crude cost-cutting potential.

Certainly, the acquisition should breathe fresh life into GT, which has suffered from the combination of the collapse in the popularity of emerging market funds and margin pressures in the UK unit trust market. After a heady growth rate in the early 1990s, LGT's profits, which include a contribution from a private bank in Liechtenstein, fell sharply last year to SFr129m ($103m). LGT said last week that it was not expecting any pick-up in the current year.

LGT's shares underperformed the Swiss market last year and have fallen by 15 per cent this year. If it did not have its royal protection it might well have attracted the attention of the corporate predators by now. Indeed, there was a time when LGT seemed to be toying with the idea of selling GT and getting out of discretionary fund management.

However, its decision to double its fund management presence suggests that it is determined to have another go at breaking into the domestic US fund management business.

In late 1987, Bank in Liechtenstein, as the group was then called, bought Trainer, Wortham, a New York money manager. Less than three years later Trainer, Wortham had been sold back to its management because it overlapped with GT's "strong, developing US business". Bank in Liechtenstein bought GT in 1989 and had high hopes for its breaking into the US institutional money management business.

Now LGT is gambling on Chancellor giving it the elusive critical mass in the US. At least it has had the sense to tie down Chancellor's management team, even if it puts a few noses out of joint at GT.

Prince Hans-Adam II: his family controls the trust

Chancellor's chief executive Mr Warren Shaw, who started as an airline analyst with Citibank in 1973, has been made chief investment officer of the combined operations; Ms Penny Zuckerwise, who has worked with Shaw for 15 years, takes over as chief operating officer; and Ms Nina Lesavoy, another Chancellor executive, will head the North American institutional client and business development teams of the combined group.

Chancellor and GT both have good names in their respective fields. But Chancellor is still only the 15th largest independent manager of US tax-exempt funds, and GT Global is seventh in the league of global/international mutual fund managers. If LGT is to become a major player in the global fund management business, it may well have to dip yet deeper into Liechtenstein's royal coffers before it is finished.

One-off charges put Molson in the red

By Robert Gibbens in Montreal

Molson, the big Canadian brewer and retailer, recorded a C$305.5m (US$222.4m) loss after writedowns and restructuring charges for the year ended March 31.

The figure included accounting losses on the sale of most of its Diversey special chemicals business for about C$1bn, the write-down of property values, and reorganisation costs for the brewing and hardware retailing operations.

Operating profit was C$85.3m, down 14 per cent from a year earlier, and most divisions performed poorly – except sports and entertainment.

The final loss for the year equalled C$5.27 a share on revenues of C$1.44bn. In fiscal 1995, net profit was C$86.9m, or C$1.49, on a similar basis on revenues of C$1.51bn.

Molson plans to sell its retail interests and concentrate on its brewing operation internationally and on rebuilding profitability at the sports and entertainments division. The market had expected Molson to take heavy special charges in fiscal 1996.

Mr Marshall Cohen, president, is being replaced by Mr Norman Seagram, the well-known brewing executive.

Molson, controlled by the Molson family, owns 40 per cent of Molson Breweries with 40 per cent held by Foster's of Australia and 20 per cent by Miller of the US.

Sapporo Breweries up

By Emiko Terazono in Tokyo

Sapporo Breweries, the Japanese beer manufacturer, reported firm half-year results due to strong exports to North America and Asia and an improved financial balance.

For the first six months to June, non-consolidated recurring profits – before tax and extraordinary items – surged 49.6 per cent to Y9.5bn ($87m) while sales rose 3 per cent to Y289.4bn due to the popularity of its premium beer and its beer-like sparkling beverage. After-tax profits jumped 106.6 per cent to Y4.3bn.

Beer sales accounted for Y246bn of overall revenues, up 7 per cent, while sales of imported beer climbed 145 per cent. A decrease in appraisal losses on securities holdings also helped earnings at the recurring level.

Sapporo expects beer demand to remain strong and sees full year unconsolidated sales rising 3.2 per cent to Y640bn on a 25.8 per cent increase in recurring profits to Y7bn. The brewer will pay a special dividend of Y3 per share to commemorate its 120th anniversary, lifting its annual dividend to Y10 per share.

● Asahi Breweries plans to launch production and distribution of its "dry" beer Asahi Super Dry in China by the second half of next year.

COMPANIES AND FINANCE

Rhône-Poulenc posts 39% rise

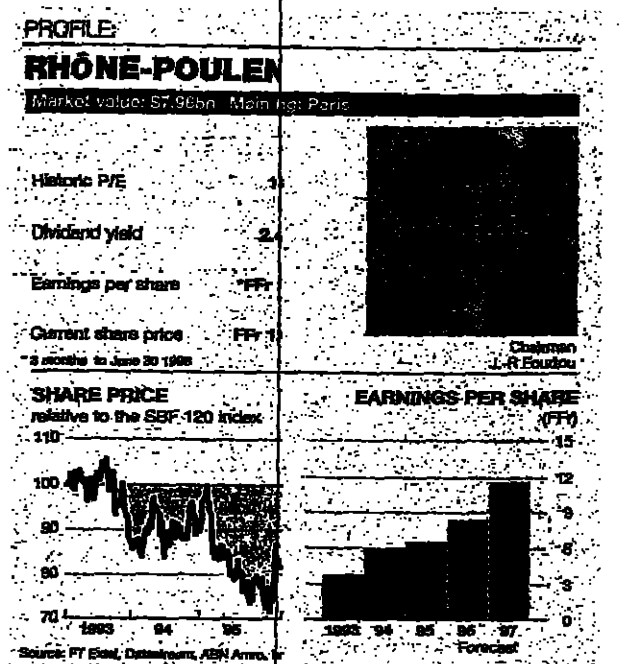
By David Owen in Paris

Rhône-Poulenc, the French chemicals and drugs group, has unveiled a 39 per cent increase in second-quarter net income, spurred by a strong performance by its health and agricultural divisions.

The result found favour with the market and the shares ended the week in Paris at FFr125.90, a gain of FFr5.10 in two days. The positive performance was foreshadowed last Thursday by a sharp rise in profits at Rhône-Poulenc Rorer, the company's 68 per cent-owned US drugs arm.

The rise in net income, from FFr559m to FFr777m ($154.6m), was reflected in a 36.4 per cent improvement in earnings per share. These climbed from FFr1.77 to FFr2.41. The result was achieved on sales ahead marginally from FFr21.91bn to FFr22.15bn.

The company's disappointing first quarter meant the advance in first-half net income was less impressive at 9.2 per cent, or from FFr1.29bn to FFr1.41bn. Earnings per share, at FFr4.38 against FFr4.09, were in line with analysts' expectations. First-half turnover declined from FFr43.5bn to FFr43.28bn.



In the first half, the gr said it completed more th FFr5bn in disposals of n strategic assets, with m than FFr2bn of this due to included in third-quar results. In January, it announced plans to make disposals worth FFr10bn over two years in a drive to reduce debt.

Analysts said they remained concerned that the group was not generating enough cash, even with the disposals, to strengthen the balance sheet sufficiently. First-half net interest expenses climbed more than 37 per cent to FFr1.14bn, against FFr829m in the first six months of 1995.

Analysts added that the results showed the group still had much work to do in its chemicals division, its second-largest in terms of sales. This made first-half operating income of FFr627m, against FFr804m in 1995, after adjusting for recent disposals.

"Their chemicals business is too disparate," said one analyst. "The results now are the ones you would have expected to see in a recession."

Fibres and polymers suffered a sharp downturn in first-half operating income, from FFr462m to FFr251m, due to "very unfavourable market conditions in polyester".

But agriculture – up from FFr1.01bn to FFr1.15bn – and health – from FFr1.78bn to FFr2bn – both showed strong advances. The company said its pharmaceuticals business began to benefit in the second quarter from synergies linked to the £1.8bn ($2.79bn) acquisition of the UK's Fisons in October 1995.

Fininvest unveils reshaped board

By Andrew Hill in Milan

Mr Silvio Berlusconi's eldest daughter Marina, 29, was yesterday confirmed as heir apparent to the former Italian premier's media, finance, property and retail empire when she was named deputy chairman of Fininvest, the private family holding company.

Mr Fedele Confalonieri, who stepped down as chairman of Fininvest, said Ms Berlusconi's presence was "testimony to the dynamic and forward-looking role of the family owners" within the group.

Ms Berlusconi and her younger brother Pier Silvio – both children from Mr Berlusconi's first marriage – were already on the Fininvest board.

The group said it had slimmed down the board to fit in with Fininvest's new ro a holding company for st in the main quoted sub iaries: Mediaset, the recen floated media company; M olanum, the financial serv business; Mondadori, the p lisher; and Standa, the reta

Fininvest denied the bo room reshuffle was also ai at distancing some direc who are under judicial inv gation as part of the wide-r ing probe by Milan's anti- ruption magistrates.

Mr Confalonieri, remains chairman of Media was replaced by Mr Aldo B omo, a Milan lawyer, while Aldo Livolsi, Mediaset c executive, became sole c executive of Fininvest. Ennio Doris, chief executi Mediolanum, is the fifth invest director.

Fininvest also announced a net group profit for 1995 of L426.2bn ($278.5m), against a loss of L77.9bn in 1994. The 1995 result was boosted by extraordinary gains of L1,138bn from the first stage of the partial sale of Mediaset, and L538bn from the sale of the commercial and property activities of Euromercato, the hypermarket business.

Fininvest's tax charge also increased sharply to L1,057bn, against L170bn in 1994, because of the extraordinary profits.

The group confirmed that the recent flotations of Mediaset – which reduced Fininvest's stake to just over 50 per cent – and of Mediolanum would leave the company with no debt at the end of this year, compared with L1,984bn at the end of 1995. Fininvest is also aiming to return Standa to break-even by the end of 1997.

Operating results slipped by 45 per cent in 1995 to L378.5bn because of the unsatisfactory performance of Standa, on turnover of L11,035bn, against L11,405bn in 1994.

● The reshuffle of shareholdings at Telepiù, the private Italian pay-television company, was completed last week when Kirch, the German media group, sold part of its holding to Nethold, controlled by Johann Rupert of South Africa.

The sale followed Kirch's purchase earlier in the month of a 23.4 per cent stake from Mr Renato Della Valle, an Italian businessman. Nethold and Kirch now have equal stakes of 45 per cent in the company and Fininvest owns the remaining 10 per cent.

Assessment time for Crédit Foncier

The French government's rescue package is unlikely to please everyone

Trading will resume today in the shares of Crédit Foncier de France, the troubled property lender, as investors, employees and executives mull over the implications of the rescue package announced last Friday.

The Caisse des Dépôts et Consignations, the state-controlled financial institution, will in the next few weeks launch a FFr2.6bn ($517m) takeover bid for Crédit Foncier at FFr70 a share.

If it wins two-thirds acceptance – enough to achieve voting control – the bank's branch network, some staff and on-going low-income loans business will be transferred to Crédit Immobilier de France group, a rival co-operative property bank. The rest of its assets will be placed in a new institution, the Caisse Nationale du Crédit Foncier, for eventual winding down or sale, with its loans underwritten by a state guarantee.

The Caisse des Dépôts – which was concerned at the potentially damaging effect on its profits, balance sheet and credit rating if it acquired Crédit Foncier – fought hard to keep its distance. As a result, it was keen to stress on Friday that it would act simply as an intermediary for the state.

In other words, the French government is effectively launching a form of voluntary nationalisation of Crédit Foncier, although the degree of choice is limited. As Mr Jean Arthuis, economics and finance minister, put it on Friday: "I have difficulty in im ining" that investors wo prefer to retain their sha until the time at which bank is finally liquidated.

Jean Arthuis: denies that t rench taxpayer will foot the bill

In view of the sharp dro the share value over the few months, to FFr30.20 w the quotation was suspen last Thursday, the gov ment's offer will no do prove sufficient to tempt m of Crédit Foncier's 60 shareholders – mostly indi uals who considered t investment a secure, long-t placement.

Ms Colette Neuville, hea Adam, the association for defence of minority shareh ers, helped mobilise investors into blocking approval at the AGM in June for a proposal to all but wipe out their share capital in order to absorb losses of FFr10.8bn for 1995 after provisions of FFr13.6bn.

"This is a better offer than we would have got if we had not protested," she says. But she remains reluctant to judge whether it is adequate. She stresses that only last autumn, independent advisers placed a value of more than FFr300 a share on the bank.

She wants to see the details of the takeover offer, and notably how the figure of FFr70 a share was calculated, before making an assessment. So far, there is little information, such as how much Crédit Immobilier will be paying for the parts of Crédit Foncier it acquires.

Equally, there has been no indication from Mr Arthuis about how he can possibly fulfil his claim last Friday that the French taxpayer will not ultimately foot the cost of the takeover. The details of the structure and financing of the "etablissement publique", set up to control the Caisse Nationale du Crédit Foncier, will be eagerly awaited by analysts.

There are questions about whether the solution offered was really necessary. Some sources close to the bank suggest that a US buyer was still seriously interested in becoming a partner, but the French government preferred to break the negotiations and intervene to find a rapid resolution.

Meanwhile, former and current executives face the prospect of possible penal actions. Mr Arthuis said the public prosecutor was carrying out investigations in relation to the bank's management – though few commentators expect these to lead to any action.

The greatest uncertainty remains for Crédit Foncier's staff. The CGT union has denounced the plan as "the worst possible". Some 900 net of its 3,400 jobs were already set to be cut by the end of next year. Now that process is likely to be rapidly accelerated.

Andrew Jack

Spanish construction groups in alliance

By Tom Burns in Madrid

Spain's two biggest construction companies, Fomento de Construcciones y Contratas (FCC) and Dragados y Construcciones, have agreed on a strategic alliance which will create Europe's fifth-largest contractor group with sales of Pta850bn ($6.7bn) and equity of Pta220bn.

The deal will focus initially on co-operation outside Spain. The two companies will transfer their international activities to a jointly-owned company that will be created before the end of the year.

Analysts said the new company would benefit from Dragados's international experience, particularly in Latin America, and from FCC's cash injection which will make up for its smaller internatio business.

FCC, which has diversi into cement, real estate, w treatment and urban servi reported sales of Pta419. last year, of which Pta2 were outside Spain; and co idated net profits of Pta12. Dragados, which is a pure tracting company, posted sales of Pta436.1bn, Pta60 abroad, and profits of Pta8.

The alliance will cemented by share purch between the two compa and an exchange of direct Dragados will pay betw Pta5.5bn and Pta5.75bn f per cent of FCC, while will pay between Pta6bn Pta7bn for 6 per cent of Dr dos. The chairmen of company will join the boar the other.

FCC, which is controlle Madrid's wealthy Koplowitz family, bought its Dragados stake from the company's dominant shareholder, the banking group Banco Central Hispano (BCH). The move lowered BCH's Dragados stake from 24 per cent to 18 per cent.

The two companies said they would also look at working together on big infrastructure and environmental projects in Spain.

The likelihood is that Dragados and FCC will now be involved in the build up of toll motorways planned by the Spanish government, as well as in the construction of a high-speed rail link between Madrid and Barcelona.

● Reduced debt, lowered cost and increased demand allowed Endesa, Spain's dominant electricity generator and distributor which is 66 per cent government-owned, to raise its half year attributable net earnings by 12.2 per cent to Pta81.7bn ($647.6m).

The company said average debt over the period had been lowered by 9.7 per cent to Pta60bn, generating costs were down 10.1 per cent, due to heavy rainfall and a sharp increase in hydroelectric supply, and demand had increased by 2.1 per cent.

The generator, which is a candidate for further privatisation after the summer, is in the midst of an ambitious diversification strategy. Over the past six months it has invested Pta18.6bn to buy 5.6 per cent of Cepsa, the second-ranked energy company, and Pta3.5bn in a capital increase at Airtel, the mobile telephone company where is a significant shareholder.

FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / Peter Martin

The Nifty Fifty ride again

Earlier this summer, Xerox's shares came close to their historical high. That might seem a rather mundane fact – after all, in May and June records were being set daily by many of America's best companies. But, adjusted for stock splits, Xerox's shares last reached these stratospheric levels in June 1972; and the company's subsequent slide from grace has gone down in the annals of market history. In the event Xerox fell back at the last moment, the summit unclimbed. The quarter-century-old record still stands. But there is a strong link between the two peaks in the Xerox chart and the two bull markets which gave them birth.

Xerox's striking performance in the early 1970s was only partly due to its own merits. True, it had established what appeared at the time an unchallengeable lead in plain-paper photocopying. But that was only half the story. Just as important was Xerox's membership of the Nifty Fifty, a loosely defined group of big, glamour stocks that managed to rise to new highs even while the rest of the 1960s bull market collapsed around their ears.

Now take a look at the chart alongside. It shows a snapshot, as of the middle of last week, of a group of shares sometimes called the "New Nifty Fifty".

Its official name is the Morgan Stanley Multinational index, and it is the brainchild of Mr Thomas McManus, who analyses portfolio strategy from the investment bank's head office in New York. Last year, he put together an ad-hoc index of 50 big American companies that had been doing particularly well in the preceding months. They turned out to be pretty much your everyday blue-chip: Boeing, AT&T, General Electric, Coca-Cola, IBM, Intel, Merck, Microsoft, Oracle, Procter & Gamble – and, of course, Xerox. You can guess the sort of companies that made up the rest.

The biggest difference between the index and the wider universe of big American companies, the Standard & Poor's 500, is that Mr McMahon's group was substantially more exposed to the international market place. As the name implied, the Multinational index was overweight in internationally traded products like foods, drugs and electronics, and underweight in domestic sectors as airlines, retail, utilities, banks and insurance.

Because of their heavy international exposure, the Multinationals had done particularly well when the dollar was weak; indeed, looking back over the past quarter century, Mr McMahon found only one period (the early 1980s) when they outperformed the market while the dollar was rising.

Not long after the Multinational index came into being, of course, the dollar started strengthening again – and kept on rising pretty steadily until earlier this month. Yet the Multinationals continued to outperform their peers.

There are some obvious reasons for this apparently perverse behaviour. Although a strengthening dollar affects the reported profit of the typical US-based multinational, as overseas earnings are converted into a smaller number of dollars, it does not necessarily affect the underlying economic performance of the company. Many of these businesses long ago set up factories overseas; their local margins are thus unaffected by currency movements. Indeed, some can even take advantage of a stronger dollar by shifting more production for the US market to their overseas plants.

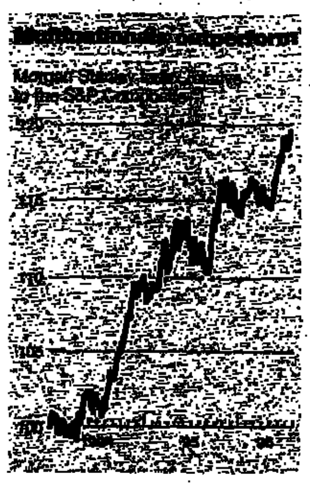
Just as important – and this is where the Nifty Fifty comparison comes in – most of the Multinationals have strong global brands, which are particularly helpful in an era of intensifying competition. In fact, the two groups share more than their size: they contain many of the same companies.

But the Nifty Fifty is famous not just for the way in which its members managed to outperform their peers spectacularly for two years as the overall market fell away. It is also remembered for the sharp and unpleasant fall from grace of its constituents immediately afterwards, in the 1973-74 bear market. Xerox is merely an extreme example.

A big part of the appeal of the Nifty Fifty was the belief that its members had established impregnable global market positions in growing industries, and were thus insulated from the ups and downs of the domestic cycle. This made them particularly attractive in the tail-end of the bull market, as the credibility of the high-flying technology companies and conglomerates of the 1960s started to wane. Is the same thing happening again?

Mr McManus is fully aware of the historical comparison. "I don't think these stocks are currently anywhere near as expensive or overowned as they were in, say, December 1972," he says. In those days, he adds, Procter & Gamble was trading at twice the market multiple, compared with today's 1.2 times. Still, for investors in their 40s and 50s, it is perhaps reassuring that Xerox did not quite manage to clamber back to its 1972 historical peak in the market's surge this summer.

Multinationals outperform
Morgan Stanley Multinationals relative to the S&P Composite



Total return in local currency to 25/7/96

	% change over period US	Japan	Germany	France	Italy	UK
Cash						
Week	0.10	0.01	0.06	0.07	0.17	0.11
Month	0.46	0.04	0.28	0.32	0.72	0.49
Year	5.94	0.75	4.56	6.14	11.19	7.13
Bonds 3-5 year						
Week	-0.34	0.45	0.13	-2.22	0.38	0.05
Month	0.75	0.22	1.05	-1.32	0.68	0.89
Year	4.82	1.96	8.58	8.74	20.81	9.95
Bonds 7-10 year						
Week	-0.59	0.58	0.25	0.31	0.47	-0.10
Month	0.93	0.15	1.80	1.83	0.85	1.22
Year	4.16	1.88	10.17	14.02	28.31	10.70
Equities						
Week	-1.9	-2.7	-1.4	-1.4	-3.5	-0.2
Month	-5.4	-7.5	-3.8	-5.9	-8.4	0.5
Year	21.4	31.9	15.7	14.8	2.3	11.4

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

Query over Sony currency holdings

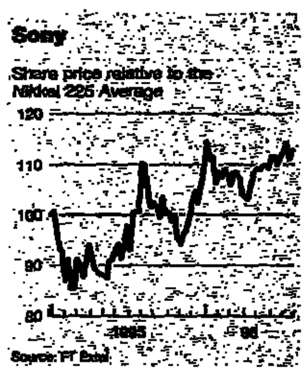
First-quarter results on Wednesday from the Japanese consumer electronics manufacturer are expected to come within a range of Y16.5bn-Y26bn (£98m-£155m). The wide range reflects differing views over how the company will handle non-operating losses on its foreign currency holdings, analysts said. In the same quarter last year, the company reported a pre-tax profit of Y29.4bn. Revenue is expected to be Y1,060bn-Y1,080bn, up from Y895.5bn. Analysts said Sony will likely see continued revenue growth.

■ **Bridgestone:** The Japanese tyremaker is expected tomorrow to report a first-half parent pre-tax profit of about Y41.5bn, compared with Y31.7bn last year. Bridgestone raised its first-half pre-tax forecast in late June from its initial estimate of Y32bn because of the Japanese currency's recent easing and the company's firm exports. It has said higher-than-expected unit sales in the half will have buoyed the pre-tax figure by Y9bn, with the weaker yen adding another Y18bn. Bridgestone's figures also benefited from firm exports worldwide, especially to North America, Europe, the Middle East and south-east Asia, analysts said. Analysts said the original equipment and replacement tyre markets were still growing worldwide, having a positive impact on Bridgestone where exports account for nearly 30 per cent of parent revenue. *AFX, Tokyo*

■ **Glaxo Wellcome:** The UK's largest pharmaceuticals company should reveal pre-tax profits of almost £1.5bn when it publishes first-half results on Wednesday, compared with £1.15bn a year ago. It will be difficult to draw precise comparisons with the first half of 1995 during which Glaxo paid almost £10bn for Wellcome and other acquisitions, turned a cash pile into debt and took £700m in restructuring charges. Sales will be easier to compare and should reach £4.3bn in the first half, compared with just below £4bn on a pro forma basis. Investors will look for growth in sales of newer drugs – the key to the company overcoming the likely patent expiry next year on the Zantac ulcer treatment, the world's best-selling drug.

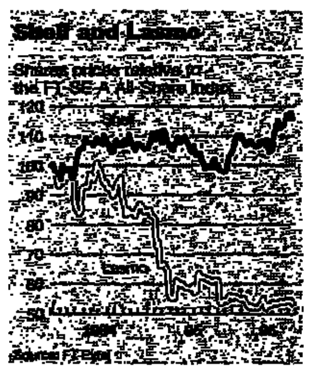
■ **BAT Industries:** The tobacco and insurance conglomerate is expected on Wednesday to report a dip in interim operating profits. A small exceptional gain, lower interest costs and a positive exchange rate impact will leave pre-tax profits up about 8 per cent at £1.28bn. Normalised earnings per share will rise about 2 per cent to 23.8p. Tobacco profits will be about 2 per cent higher at £765m. Financial service profits will be down about 2 per cent to £530m with further deterioration in UK general insurance offsetting gains at Allied Dunbar in the UK and Farmers in the US.

Sony
Share price relative to the Nikkei 225 Average



Source: FT Extel

Shell and Lasmo
Share prices relative to the FT-SE-A All-Share Index



Source: FT Extel

■ **TI Group:** The specialist engineer is expected on Thursday to maintain its impressive profits advance at the half-way stage. The upturn in the aerospace cycle should be helping its Messier-Dowty aircraft landing gear business, along with the propeller manufacturing operation. Bundy, the US manufacturer of small-diameter tubes, and Crane, producing specialist seals, continue to dominate their market niches. Merrill Lynch is forecasting pre-tax profits of £101m, up from £87.4m, and an 8 per cent dividend increase, to 4.7p.

■ **Royal Dutch Shell:** The oil, gas and refining group is expected on Thursday to announce a rise in normalised second-quarter profits after tax and exceptional items from £1.15bn to about £1.35bn. The profits have been helped by strong oil prices and unusually higher demand for gas because of unseasonally cold weather in the spring. Some analysts expect the company to announce a rationalisation of its downstream refining business although they forecast the division will show a slight improvement in performance. Analysts are also hoping for a statement on plans for capital expenditure. First-quarter capital expenditure was down on last year although the company has spoken of a need for an increase.

Lasmo: One of the UK's largest independent oil exploration companies is expected on Thursday to announce normalised interim after-tax profits of £8m, against £15m last year. This figure does not include £5m from the sale of its Canadian subsidiary. Analysts anticipate a statement on its offshore commissioning problems at the Liverpool Bay oil and gas fields. Lasmo may also provide an update on developments in Algeria, where it has sunk some successful appraisal wells.

■ **Guardian Royal Exchange:** The UK composite insurer is expected on Wednesday to announce interim trading profits – stripped of exceptionals and investment gains – of £122m, against £179m. Most of the downturn is likely to be attributed to poor weather in the UK, US and Republic of Ireland, as well as margin pressure on its UK motor insurance business. Including investment gains – likely to have fallen from £150m to £50m – and exceptional restructuring charges for the RAC insurance services business acquired earlier this year, pre-tax profits are expected to plunge from £327m to £163m. Analysts will be seeking further information about integration and cost savings to be achieved from the acquisition of the commercial general insurance business of Legal & General, announced earlier this month, and more information about the restructuring of its US operations. The City is awaiting clues about a possible acquisition in that region. GRE is expected to maintain its progressive dividend policy, raising its interim payout from 3.1p to 3.3p per share.

INTERNATIONAL EQUITIES by Conner Middelmann

Telecoms sector in the limelight

The telecommunications sector is once again hogging the limelight in the primary equity markets. The French government last week appointed its advisers for the planned share sale in France Télécom while Deutsche Telekom announced the syndicate structure of its initial public offering.

The German transaction, scheduled for mid-November, is expected to total up to $10bn, while France's offering, expected around April, could come to another $8bn, bankers say.

In addition to these two jumbo offerings, the Italian government is still looking to sell its 62 per cent holding in telecoms giant Stet, pending parliamentary approval of a regulatory authority for the telecoms and broadcasting industry. The sale, which could take place any time next year, is expected to be worth about $7bn.

However, while some investors may be daunted by the prospect of $25bn in new telecoms shares hitting the markets over 10 months, others say retail demand for the deals and the shares' likely benchmark status in their respective markets will ensure sufficient demand.

"There's always a political agenda – governments will want to ensure the offerings are made attractive for retail investors," said one banker. Indeed, in Germany – not hitherto known for its equity culture – some 1.2m retail investors have registered as potential buyers since marketing began in April.

Moreover, he says, "these will be large index stocks which institutional investors will need to own – the only question is whether they buy them in the initial offering or later".

Lastly, dealers say, investors' improved understanding of telecoms companies – partly a result of the high number of transactions in this sector – will make it easier for the underwriting banks to assess what price investors are willing to pay, thus ensuring smooth take-up.

The French Treasury last Thursday appointed Deutsche Morgan Grenfell and Banque Paribas as its advisers for the part privatisation of state-owned France Télécom. Valuations have yet to be made, but bankers estimate the company is worth some FFr200bn, and the government is expected to sell a share of between 15-20 per cent. France Télécom had earlier selected Banque Nationale de Paris, Merrill Lynch and Banque Lazard as its advisers.

Global co-ordinators have not been appointed yet, but it is thought Paribas and BNP will assume that role, leaving DMG and Merrill with very minor underwriting positions. The appointment has been a major coup for DMG, which has spent large sums of money on beefing up its presence in the primary equity market; although Deutsche Bank is acting as global co-ordinator on the Deutsche Telekom offering, France Télécom is its first non-German privatisation mandate.

Meanwhile, the German authorities on Friday announced the international syndicate structure for Deutsche Telekom's sale. Deutsche Bank, Dresdner Bank and Goldman Sachs will act as joint global co-ordinators; in the UK, the regional lead manager is SBC Warburg, in the rest of Europe, Paribas will be regional lead, the American tranche will be led by Goldman, Deutsche and Merrill Lynch, and the Asia-Pacific region will be led by Daiwa Securities. ● Poland's telecommunications ministry has appointed CS First Boston and Schroders to help it draft a plan to privatise its telecommunications monopoly. TPSA.

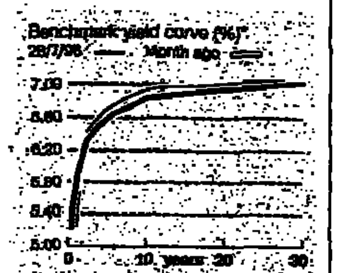
FT/S&P ACTUARIES WORLD INDICES

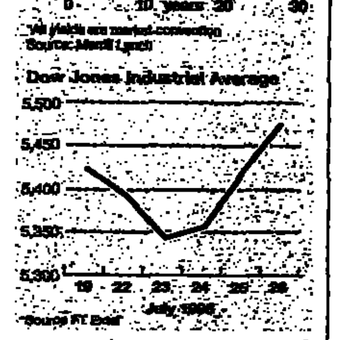
The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JULY 26 1996 US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/	Gross Div. Yield	THURSDAY JULY 25 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	193.95	2.1	184.80	132.75	149.32	163.75	-3	4.40	190.90	181.79	130.58	146.72	161.31	212.16	177.98	182.32
Austria (24)	178.50	2.3	170.16	122.17	137.43	137.36	3	2.06	178.00	169.48	121.76	136.86	136.75	196.62	168.11	195.57
Belgium (27)	209.60	0.2	199.81	143.42	161.37	157.66	4	4.22	209.30	199.35	143.23	160.94	157.44	215.81	186.00	201.07
Brazil (28)	171.68	24.4	163.65	117.48	132.15	318.80	29	2.04	174.45	166.10	119.33	134.08	323.84	189.70	123.97	138.52
Canada (118)	153.07	5.1	148.68	106.73	120.06	155.15	5	2.31	154.62	147.30	105.87	119.07	154.08	165.12	134.14	147.80
Denmark (33)	306.65	6.2	292.34	209.89	236.10	238.48	8	1.93	306.70	292.01	209.79	235.73	237.97	309.24	276.89	292.66
Finland (25)	191.42	2.3	182.48	131.01	147.39	180.56	5	2.77	190.68	181.56	130.44	146.60	179.70	278.11	171.73	264.65
France (95)	186.42	5.0	179.62	128.96	145.07	148.58	8	3.24	186.99	180.65	129.96	146.03	149.33	187.70	162.09	189.09
Germany (58)	170.78	4.2	162.81	116.89	131.49	131.49	6	1.85	170.86	162.68	116.88	131.32	131.32	174.28	155.86	187.53
Hong Kong (56)	412.38	8.4	393.13	282.24	317.49	409.42	6	3.50	412.88	393.02	282.29	317.19	409.73	451.19	348.81	387.66
Indonesia (27)	196.55	–	187.37	134.52	151.32	261.30	–	1.59	199.19	189.65	136.28	153.10	264.60			
Ireland (16)	275.13	7.7	262.28	188.31	211.82	239.82	8	3.58	273.46	260.37	187.06	210.18	238.01	290.62	235.86	245.37
Italy (58)	75.28	2.1	71.77	51.53	57.96	88.64	-1	2.58	75.71	72.09	51.79	58.19	88.84	84.53	67.07	79.87
Japan (481)	148.40	-5.4	141.47	101.57	114.25	101.57	0	0.75	147.20	140.15	100.69	113.13	100.69	164.68	137.75	155.69
Malaysia (107)	530.82	11.0	506.10	363.35	408.73	508.83	7	1.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (18)	1128.83	9.0	1075.83	772.46	868.93	8372.78	7	1.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (15)	83.07	4.9	79.19	56.86	63.95	81.51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway (35)	248.65	7.5	237.03	170.18	191.43	215.25	6	2.10	249.53	237.58	170.69	191.79	215.46	[illegible]	[illegible]	[illegible]
Philippines (22)	198.26	–	189.00	135.69	152.64	258.78	–	0.63	200.35	190.76	137.05	153.99	261.54			
Singapore (44)	375.14	-5.4	357.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (44)	335.13	-12.6	320.43	230.05	258.79	327.63	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (37)	175.16	4.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (48)	339.21	8.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (37)	233.64	1.1	227.50	163.33	183.73	178.94	[illegible]	1.86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thailand (45)	144.81	-13.9	138.15	[illegible]	[illegible]	[illegible]	-13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (199)	231.64	0.5	220.82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (626)	258.88	3.0	246.79	[illegible]	[illegible]	258.88	3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Americas (791)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe (708)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (136)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (890)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1598)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (742)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (507)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (399)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1795)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (2222)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1940)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2421)	204.64	1.2	195.08	140.06	157.55	175.06	2	2.21	203.79	194.03	139.40	156.63	174.13	214.95	189.48	192.92

MARKETS: This Week

NEW YORK





This could be the week that sets the direction for US interest rates – and financial markets – for the second half of the year.

The decision of the Federal Reserve's policy-making committee not to raise rates at its last meeting at the end of June was promptly thrown into question by a strong employment report that sent reverberations through both bond and stock markets.

Any further warning signals this week of incipient inflation – including in the latest monthly employment report due on Friday – would seem to leave the Fed little choice but to act at its next meeting on August 20.

In a week packed with data, the most important announcements will be:

● Tuesday's employment cost index. After a 3 per cent year-on-year rise in the first quarter, most economists expect a 3.3 per cent increase for the second.

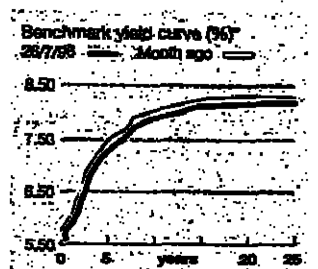
● Thursday's release of second quarter GDP. The springtime spurt in economic activity probably translated into GDP growth of around 3.8 per cent for the quarter, according to economists surveyed by MMS International – an acceleration from the 2.2 per cent of the previous three months.

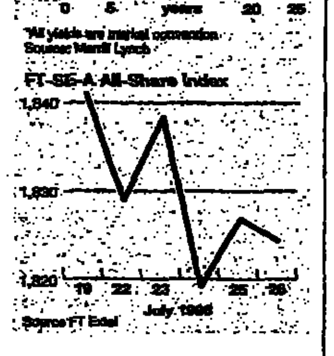
● The National Association of Purchasing Managers' index, also on Thursday. The July index is expected to come in at around 55, up from 54.3 in June.

● Friday's employment report. After the 0.8 per cent jump in hourly earnings for June, July's report is expected to show a further rise of 0.3 per cent.

If these various forecasts turn out to be on target, then a picture will emerge this week of an economy which has entered the third quarter in full flight – pointing to higher interest rates later in August.

LONDON





There is every reason to expect another week of big movements in equities and some keen action in gilts as the UK market braces itself for the usual monthly meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England.

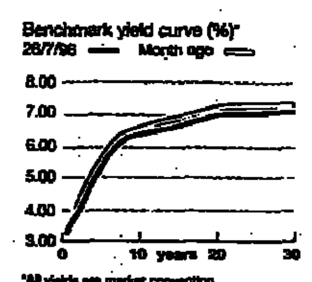
Prior to last Friday, the market had seemed to accept that a further reduction in UK interest rates was increasingly unlikely, given the most recent economic evidence. This included an encouraging quarterly survey from the Confederation of British Industry, which highlighted the first rise in confidence among UK manufacturers since spring last year. And retail spending rose sharply in the second quarter, with non-food sales showing their strongest rise for eight years.

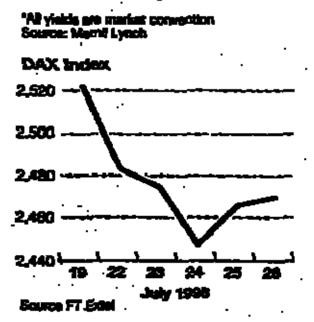
But the smaller-than-expected increase in gross domestic product during the same period was a disappointment and seen by many in the market as keeping alive lingering hopes of a further cut in UK rates.

Investors will also have to keep an eye on events in the US where that market has been jolted, initially by fears that a robust economy could lead to a rise in US rates, but most recently by disappointing news in the high technology areas.

The week's list of corporate results and news items is short but of high quality, with no less than seven FT-SE 100 constituents reporting results and a similarly high quality list of annual meetings. The market has been focusing recently on the potential for share buy-backs in the banking sector and NatWest might come up with the goods on Tuesday. Other big names reporting include BAT Industries, Glaxo Wellcome, Guardian Royal Exchange, Lasmo, Shell and TI Group.

FRANKFURT By Andrew Fisher





Puffs of smoke emerged from the Bundesbank last week, but they did not presage a change of interest policy. The small fire on the roof of the German central bank stemmed from repair work, not a Vatican-like attempt to alert the world to a cut in a key interest rate. But for the bank's own hints, few people would have thought a lower securities repurchase (repo) rate was on the cards.

As it was, expectations were high when the bank held its last council meeting before the summer break. But there was no change in monetary policy. The dollar fell and markets were caught on the hop.

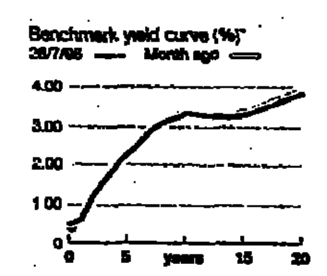
Economists were also upset. "The council has forgone its chance to stabilise the forex market and sink the short end anchor of the yield [curve] deeper into the ground," said Mr Adolf Rosenstock of IBJ Research in Frankfurt.

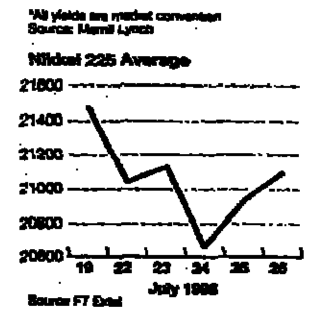
Yet the chance of a further repo cut from the present 3.30 per cent, unchanged for seven months in spite of reductions in the discount and lombard rates, remains. Mr Otmar Issing, a Bundesbank director, said it would see if there was scope for lower rates, last week's stance having been influenced by high money supply growth.

Before the next Bundesbank meeting on August 22, industrial output figures for June, July unemployment, and the July Ifo business sentiment survey (which worsened in June) could present a more buoyant economic picture.

Much depends on currencies, J.P. Morgan added. "If D-Mark strength turns into a trend, the Bundesbank would likely respond with a move in August, even with economic data turning up." Securities markets, meanwhile, are also watching the US. German shares have been somewhat shaken by Wall Street's volatility. Equities are likely to tread water for a while.

TOKYO By Emiko Terazono





Fluctuations on the Tokyo stock market are expected to continue to be strongly affected by developments on Wall Street.

The fall in US shares has raised concerns that US mutual funds, which had been leading buyers during the Tokyo stock market's rally earlier in the year, will try to make up the losses in US holdings by taking profits on their Japanese share portfolio.

Although profit-taking by overseas investors may not be as heavy as some investors think, heightening anxiety over foreign selling has led to the selling of shares with high foreign ownership.

Domestic institutions, meanwhile, continue to provide underlying support through their bargain-hunting buys. A number of investment trusts will also be launched this week, and are expected to purchase stocks.

Bond prices are likely to react to fluctuations of the Nikkei stock benchmark and key economic indicators. While the Bank of Japan indicated last week that the economic recovery was only gradual, helping to calm the bond market, last week's increase in inflation data indicated a cause in shifting monetary policy.

Economic data released this week are expected to provide support for the financial markets still trying to overcome interest rate jitters.

Industrial production for June is expected to show a month-on-month decline, although forecasts for July and August are likely to be stronger than in the previous year.

The labour figures for June are expected to show that the labour problems still persist. The seasonally-adjusted unemployment figure may indicate a rise in the rate if the number of unemployed people remain unchanged from May's level of 2.4m, says SBC Warburg in Tokyo.

COMMODITIES

Copper has something to prove

After ending last week on a note of uncertainty the London Metal Exchange copper market still has something to prove.

Having got over most of the shock of the Sumitomo crisis, analysts are increasingly saying it is time for the market's short-term, bullish fundamental to be reasserted.

That seemed to be happening last week as the LME three-months delivery price moved above the psychologically-important $2,000-a-tonne mark on Thursday night. But a hesitant day's trading on Friday saw it retreat back into the $1,990s.

The reversal was due partly to an unexpected, although relatively modest, rise in LME warehouse stocks of the metal. But Mr Wiktor Bielski, analyst at Bain & Co, a Deutsche Bank subsidiary, pointed out that total western world copper stocks were equivalent to just 3.6 weeks' supply, only just above the 3.5 weeks level previously regarded as critical.

He thought the copper price should be heading for $2,200 a tonne "sooner rather than later", with further gains to come in the fourth quarter of this year.

Mr William Adams, of Rudolf Wolff, part of Canada's Noranda natural resources group, also thought there were further gains in store for the copper price. But he warned that the bounce could be short lived. A rise to $2,250 a tonne would represent "a good long-term selling opportunity", he said in a special market review.

The platinum market put in a strong finish on Friday and could make further gains this week, traders said, especially if miners at South Africa's Implats went on strike as union leaders expected.

Also buoying the platinum market were reports of delays in Russian platinum shipments to Japan, which sparked speculation that Russia's stocks were dwindling.

● Among this weeks events is the three-day Diggers and Dealers gold conference in Kalgoorlie, Western Australia, which will be opened by the state premier, Mr Richard Court, this morning.

Companies making presentations at the conference will include North and Goldfields.

OTHER MARKETS Compiled by Michael Morgan

PARIS

After last week's Bundesbank disappointment, some analysts still believe that the Bank of France will announce a small reduction in the key intervention rate, probably by 5 to 10 basis points, after Thursday's monetary policy council meeting, *writes William Cochrane.*

Meanwhile, tomorrow's annual meeting of Canal Plus ought to be lively, given the speculation surrounding its ambitions in German satellite digital television; and half-year sales from Schneider and Pinault should indicate how industry and the consumer fared in the second quarter of 1996.

Meanwhile, Tuesday will also see delayed results from Remy Cointreau, postponed "for technical reasons" from July 3. The shares, for a long time, have been reflecting the intense competition in the world market for wines and spirits, and Remy, according to Mr Dermot Carr at Nikko Securities, was caught by a difficult dollar/franc relationship, and by its own price increases for last year's Christmas trade, which were not matched until later by the competition.

In the stock market, last Friday, Remy was standing at about FFr130 against a high of FFr187 for the year and a peak of about FFr240 in mid-1995.

ZURICH

The market enters a new era on Friday when all transactions will be made directly through a centralised electronic trading system. This will enable all stocks to be permanently traded. And, say analysts, concentrating trading in a single location will give the market higher liquidity, making it more attractive.

Investors should notice little difference, although the enhanced transparency should make for a fairer market. Trading will begin at 9.30am for bonds, 10am for stocks and 10.15am for derivatives, and will be continuous until 4.30pm. The new system will also be available for entries and inquiries from 4.30pm to 10pm and from 6am until trading begins.

NORDIC

With the Scandinavian summer holiday season now almost at an end, Scania sets the second-quarter results season in motion on Friday. UBS expects that, following the tone set by SKF, generally weak trading performances are likely to be reported for the second quarter, as foreign exchange and weak European demand unite to put profits under pressure.

Earlier this month, SKF, the world's largest manufacturer of roller bearings, blamed slack demand in Europe and stiffer competition for a 21 per cent slump in first-half profits. Pre-tax profits slid from SKr1.87bn to SKr1.48bn, some SKr100m below market expectations.

However, UBS says that this month's Swedish purchasing managers' index and last week's KI business confidence survey both suggest mounting optimism among manufacturers for the fourth quarter.

HONG KONG

Banking stocks are set to grab the limelight this week, ahead of the reporting season which kicks off with HSBC Holdings' and Hang Seng Bank's interim earnings reports next Monday *writes Louise Lucas.* Analysts reckon the banks will post better results than initially expected, and this could fuel gains in the stock prices.

Corporate earnings will continue to provide a focus for investors, but in the interim brokers are looking for another week of cautious trading. Weak sentiment persists on the Hong Kong-listed China H shares – whose results tend to come out later – and investors are still wary of rises in interest rates.

Some volatility may occur in the early part of the week, ahead of the expiry of the spot future contracts at the month end, but otherwise dealers are looking for scant excitement in the short term, with the benchmark Hang Seng Index continuing to move in the 10,600 to 11,000 range. It closed Friday at 10,705.57.

CURRENCIES

Market ponders Buba while waiting for the Fed

The week ahead looks likely to be one of contemplation rather than action for foreign exchange markets.

The contemplation will be of both a backward and a forward looking nature. On the one hand traders and investors will be trying to assess the full impact of the Bundesbank's decision last week to leave its interest rates unchanged. For currency markets, this poses at least two questions: does their decision mark the end of the easing cycle in Germany, and what does it tell one about their attitude to the value of the D-Mark.

While the market contemplates these questions, it will also be looking ahead to the employment report on Friday. In recent months these have tended to be stronger than expected, often generating much market excitement. A strong report on Friday is likely to convince markets that the Fed will tighten policy when it meets again on August 20.

The likely currency impact of such a decision is unclear. Market consensus at present is that higher US short rates will favour a stronger dollar, but there are certainly some who believe that the likely upset it will cause US asset markets will produce the opposite effect.

Aside from the dollar, the other main theme is likely to be the performance of the "high-yielders". With the D-Mark firmer again, have the convergence trades which were so successful in the first half of the year run their course?

Central to this discussion will be the lira, which has weakened sharply to around L1,030 against the D-Mark having threatened to breach L1,000 about a month ago. Analysts at SBC Warburg in London note that against the backdrop of "a weak economy, impotent policy, political turbulence, weakening dollar and no more German rate cuts, investors are likely to adjust the only variable that will help the economy – sell the lira".

The South African rand was at a 10-week low last Friday and traders may well try to re-test the historic low around R4.57 against the dollar.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Liechtenstein Global Trust (L'stein)	Chancellor Capital Management (US)	Financial services	$300m	Doubling managed funds
Reltec Holdings (US)	Rainford Group (UK)	Telecoms equipment	$124m	Recommended offer
Stagecoach (UK)	Swedbus (Sweden)	Transport	est $155m	Preferred bidder
Nestlé (Switzerland)	Osem Investments (Israel)	Food	$140m	Total stake now 40%
Bayer (Germany)/ Sherwin-Williams (US)	Globo SA Tintas e Pigmentos (Brazil)	Paints	$93m	Reckitt & Colman disposal
Precision Castparts (US)	AE Turbine Components (UK)	Aerospace	$64m	T&N disposal
Heywood Williams (UK)	Mila Beslag (Denmark)	Locks	$53m	Buy ups UK market share
BBA Group (UK)	Signature Flight Support (US)	Airline services	$44.7m	Buying out minority
British Airways (UK)	TAT (France)	Airlines	$33m	Taking full control

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, July 26, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CONTRACTS & TENDERS

MARKETS: This Week

EMERGING MARKETS By Mark Nicholson

Budget sends Bombay south

India's stock market roared south this week after Monday's first budget by Mr P. Chidambaram, finance minister for the new United Front government.

The Bombay Stock Exchange's 30-share Sensex index dropped more than 5 per cent last week, closing on Friday at 3560.

The slump had Mr Chidambaram puzzled. "I don't understand the share market too well," he told Friday's Economic Times. "But I think the downswing is temporary." He also suggested he would embark on "pushing a number of investor-friendly steps" to help revive the markets.

His government is depending on raising an optimistic Rs50bn through public asset disinvestments between September and January to meet his fiscal deficit target. Flat equity markets last year meant that the previous Congress government managed to raise only a small fraction of its targeted Rs70bn in such sales.

Mr Chidambaram's debut budget was a judicious mix of taxes, spending, tariff cuts and modest reforms designed both to keep India's five-year-old liberalising reforms on track while bowing to the political needs of his ideologically-diverse 13-party coalition, one in which leftist parties hold powerful sway. But the market had its eyes on three main factors.

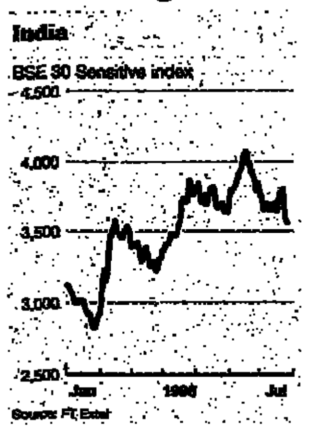
First, and arguably most important for the market's immediate reaction, was the imposition of a fresh "minimum alternative tax" designed to bring into the corporate tax net an estimated 1,049 of India's top companies which currently avoid paying any such, by taking advantage of a raft of exemptions for such things as investments, depreciation or tax-free export earnings.

ING Barings' research showed that 65 of India's top 200 companies fall into this "zero-tax" bracket, a veritable Indian corporate Who's Who, including highly profitable groups such as Reliance Industries, Tisco, ONGC, Sail and National Aluminium.

The market also took a dim view of Mr Chidambaram's announcement that companies would be permitted to issue non-voting shares up to 25 per cent of their paid-up capital.

Investors are chary of possible dilution without management accountability to shareholders and worry that if forthcoming guidelines for such issues are too permissive, the market could face a deluge.

And there was scepticism over Mr Chidambaram's ability to deliver a cut in the fiscal deficit from last year's 5.9 per cent of GDP to 5 per cent. Few Bombay-based brokerages believe the target will be met, arguing by previous example that spending is likely to overshoot his target, while suggesting Rs50bn in state disinvestments may be beyond his reach in the eight remaining months of the fiscal year.



The greater the overshoot, the bigger the government's borrowing programme and the stronger the upward pressure on interest rates, which have only lately begun to ease after more than a year of government pressure on available funds.

The high rates of the past 18 months have turned retail investors off Indian equities and towards a series of attractive new bond issues. This, combined with liquidity pressures on domestic institutions, has helped leave the momentum for Indian equities almost solely in the hands of foreign institutional investors (FIIs) for the first half of this year.

Foreign inflows of about $2bn since January had, almost single-handedly, pushed up a Sensex languishing at 2,900 late last year to its pre-budget levels, cresting at 3,800.

Brokers say that FIIs have sat off the market during budget week, with many suggesting the plunge has been fuelled rather by domestic speculation.

But the foreign appetite for Indian paper remains, even if it has become increasingly selective. The recent $50m Global Depository Receipt offering by Crompton Greaves was oversubscribed, as was a $100m convertible bond from Mahindra & Mahindra, the vehicles group.

And while two other $50m issues have recently been pulled, a trio of big issues by well-regarded companies – $200m by Telco, the car group, $200m by ICICI, the state financial group, and $400m from the State Bank of India – are hitting the road and are expected to find takers.

These euro-issues may temper the immediate demand for direct foreign purchases on the domestic market. But the Indian market remains cheap in the region, with the Sensex stocks trading at around 14 times prospective 1997 earnings and the broader market at around 11 times.

However, FIIs and local brokers differ significantly in their outlook for eps growth, which has been averaging 25 per cent to this fiscal year. Those, including Morgan Stanley and Crosby, making upper-end pre-budget forecasts in the range of 22-55 per cent for fiscal 1997 have trimmed these in view of the new minimum tax to 17 or 18 per cent.

But some brokerages had been making gloomier pre-budget forecasts of 1996 earnings growth in the range of 11-12 per cent, believing that higher input costs from recent fuel and rail freight price rises, a softening rupee and increasing port, power and other infrastructural bottlenecks, might bring overall economic growth substantially below government estimates of 6.6 per cent for the year.

Jardine Fleming, for example, sees growth at around 5.4 per cent. At least one other leading FII is touting 4.5 per cent. "Past growth is not an indicator of future performance. We stand by our forecast of an economic downturn," adds ING Barings.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	26/7/96	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (431)	154.67	-5.05	-3.16	-8.30	-5.10	+7.11	+4.82
Latin America							
Argentina (22)	90.62	-3.63	-4.06	-13.77	-13.19	-2.16	-2.32
Brazil (23)	233.48	-2.52	-1.07	-3.69	-1.56	+47.39	+25.46
Chile (16)	192.67	-1.57	-0.81	+2.85	+1.50	-3.00	-1.53
Colombia (14)	163.45	+1.35	+0.83	-4.84	-2.94	-0.80	-0.49
Mexico (24)	78.78	-2.58	-3.25	-5.87	-6.88	+3.19	+4.33
Peru(13)	1,115.31	-36.82	-3.20	+32.03	+2.96	+46.36	+4.34
Latin America (112)	135.41	-2.88	-2.08	-5.45	-3.87	+12.27	+9.96
Europe							
Greece (18)	109.58	-0.73	-0.66	+3.99	+3.78	+11.61	+11.85
Portugal (20)	136.71	+0.70	+0.51	+2.76	+2.06	+20.35	+17.39
Turkey (25)	103.12	-1.34	-1.28	-12.76	-11.01	+20.32	+24.54
South Africa (30)	137.00	-6.18	-4.32	-12.05	-8.08	-16.38	-10.68
Europe (134)	118.90	-3.18	-2.60	-6.93	-5.51	-2.64	-2.17
Asia							
China (24)	44.29	-0.60	-1.35	-0.72	-1.61	+3.97	+9.85
Indonesia (31)	136.80	-5.62	-3.94	-10.08	-6.86	-1.84	-1.33
Korea (23)	106.38	-5.77	-5.15	-5.33	-4.77	-30.53	-22.30
Malaysia (23)	243.77	-11.34	-4.45	-12.31	-4.81	+16.41	+7.22
Pakistan (14)	77.59	-6.75	-8.00	-13.48	-14.86	+4.00	+5.43
Philippines (14)	314.07	-18.97	-5.70	-18.60	-5.59	+54.90	+21.19
Thailand (25)	209.33	-15.12	-6.74	-25.84	-10.99	-42.55	-16.89
Taiwan (31)	167.85	-4.49	-2.61	-8.67	-4.91	+37.03	+28.30
Asia (185)	210.71	-9.69	-4.40	-13.53	-6.03	+7.67	+3.78

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS

Bundesbank shatters hopes of convergence

Even the most bullish advocates of convergence last week revised their expectations, and said they now despaired of seeing Europe's high-yielding bond markets move closer to German levels in the near future.

Since the Bundesbank announced last Thursday its decision to leave the repo rate unchanged at 3.30 per cent for the next four weeks, yield spreads between German bunds and high-yielding European bonds have widened substantially.

The 10-year spread of Italian BTPs over bunds crossed the psychologically-important 300 basis point level to end the week at 312 basis points, while that of Spanish bonos widened by almost ¼ percentage point to 251 basis points.

Analysts at BZW are forecasting further widening of these spreads in the short term, to around 350 basis points for Italy and more than 275 basis points for Spain. And predictions by Sanwa International and Paribas Capital Markets lie in a similar range.

The Bundesbank's decision was "one more nail in the coffin of convergence", said Mr Mark Fox, chief European strategist at Lehman Brothers.

"The Bundesbank made it clear that it is not worried about a strong D-Mark," said Ms Phyllis Reed, European bond strategist at BZW. "They are not likely to review their policy until it [the currency] reaches a level where it starts to hurt the economy."

However, the Bundesbank is not the sole culprit. Several other factors have played a role in this radical shift in expectations. The dollar's performance on the foreign exchange markets is undoubtedly one of them.

The steady appreciation of the US dollar against other currencies, in recent months, had underpinned the convergence process by weakening the D-Mark and mark-denominated bonds relative to the peripheral European markets.

But the dollar's rally appeared to be wavering lately in the absence of a rate hike by the US Federal Reserve, and was dealt a further blow by the Bundesbank last Thursday.

The Bundesbank council's inaction also had indirect side-effects by limiting other European central bankers' latitude. Until recently, the central banks of France, Italy and Spain were expected to ease their leading interest rates.

But these hopes have been dashed by a "German mark on the rampage", in the words of Mr David Brown, chief international economist at Bear Stearns.

Several European central banks intervened last week to support their currencies – including the Bundesbank, which was reportedly buying French francs. In these conditions, "unilateral rate cuts are now on hold", said Ms Reed.

As a result of currency instability, some economists say the lira's re-entry into the European exchange rate mechanism, an important driving force behind Italian convergence, might have to be delayed.

The target for the lira's rejoining the ERM is understood to be between 1,000 and 1,020 against the D-Mark; but late last week, the currency was trading at around 1,033 and is likely to weaken towards the 1,040 level this week.

Furthermore, both the Italian and Spanish markets are suffering from domestic political and economic considerations.

In Italy recent tensions between the government and ecologists, arising at the heels of earlier clashes with the Reconstructed Communists, were a reminder of the instability of the political situation.

Spain, meanwhile, suffered from the discovery of a sizeable "hole" in its budget, requiring a tax hike.

The incident highlighted the difficulty the country is facing in reining-in its public deficits – a necessary effort to qualify for European monetary union.

Until the Bundesbank council reconvenes in late August, peripheral markets "will be in a no man's land", said Mr Brown at Bear Stearns. Meanwhile, most analysts believe these markets will be taking their lead from the US, with a tendency to over-react on any bearish news.

Ms Sharda Persaud, European economist at San Paolo Bank in London, warns of the risk of "more profit-taking [on high-yielding bonds] if the US payroll data are stronger than expected". She predicts further flight to quality, with bunds benefiting most, in particular if US Treasuries prove to be vulnerable to the data.

But analysts also warned against overplaying last week's events. "The market was looking in bad shape even before the repo decision," said Ms Persaud.

"All the good news was built into the market," said Mr Graham McDevitt, a bond strategist at Paribas. "The widening two weeks ago of Italian and Spanish spreads was a warning bell."

Mr Fox at Lehman Brothers also points out that the convergence process was nearing its end anyway. "Investors have been unwinding convergence trades for some time ... [Otherwise] the sell-off would have been much worse."

Lehman's monthly survey of international bond investors shows that fund managers have been reducing their holdings of high-yielding European bonds over the past month. The proportion of investors long or very long in Italian bonds declined to 29 per cent in July, from 37 per cent in June.

Holdings of Spanish and Swedish bonds witnessed a similar trend. According to Mr Fox, these figures show "a large switch away from peripherals towards the core European markets".

The survey also showed that the proportion of investors long – and very long – in the German, Dutch and Austrian bond markets more than doubled to 58 per cent in July, from 26 per cent in June.

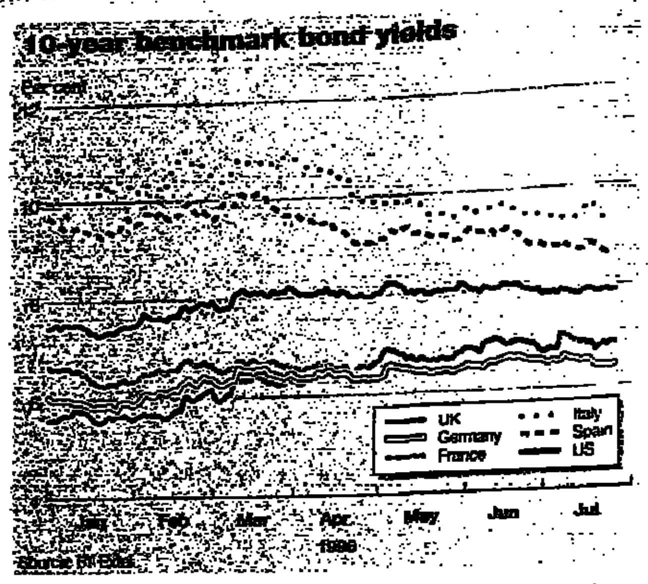
Economists believe that after the initial shock, investors will soon start speculating on the likelihood of a repo rate cut at the next Bundesbank meeting on August 22, especially if members of its council continue to issue pro-dollar statements.

"The dollar's rally is not over yet," said economists at Matheson Investment Management. "After a period of consolidation we expect the dollar to retest DM1.54," possibly providing renewed support to the convergence process.

Ms Reed said BZW had not revised its long-term forecast on high-yield outperformance. "Our target is still 275 basis points for Italy and 225 basis points for Spain by the year-end," she said, referring to the 10-year spreads over German bunds.

Italy and – to a lesser extent – Spain are not the only vulnerable markets. Analysts pointed out that they were the first to suffer because they had shown the best performances in recent months.

However, if the current uncertainty takes hold, it is likely to spread to other peripheral bond markets. "Sweden and Denmark are also starting to show signs of weakness," said Mr McDevitt at Paribas.



INTEREST RATES AT A GLANCE

	US	Japan	Germany	France	Italy	UK
[illegible]	5.00	0.50	2.50	4.00*	8.25	5.75
[illegible]	5.25	0.50	3.25	3.83	8.63	5.75
[illegible]	5.49	0.57	3.28	3.66	8.53	5.71
[illegible]	5.85	1.06	3.42	3.97	8.15	6.00
[illegible]	6.62	2.32	5.29	5.63	8.84	7.32
[illegible]	6.86	3.37	6.36	6.39	9.48	7.85

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Bangkok Bank(a)§	350	Aug 2006	1.50	100.00	-	-	Deutsche Morgan G'fell
Komatsu Seiren Co(b)ф	100	Aug 2000	3.125	100.00			Yamaichi Intl(Europe)
Republic of Slovenia‡	325	Aug 2001	7.00	99.28R	7.178	+58(M 5yr)	JP Morgan Securities
Morgan Guaranty Tst Co of NY	300	Aug 2001	6.75	99.58R	6.851	+18(6⅞%-01)	JP Morgan Securities
Krung Thai Bank(c)†	200	Aug 2006	(c1)	100.00	-	-	SBC Warburg
Instituto de Fomento Ind	125	Jul 2001	8.375#	99.899R	8.400	+125(M 5yr)	UBS Securities
Central Puerto	100	Aug 2001	10.70	99.92R	10.72	(M 5yr)	Bear Stearns Intl
SCCMT 2, 1996-3, Cls A(j,s)★	500	Jul 2004	7.00	99⅞R	7.284	+44(5¼%-03)	Merrill Lynch Intl
Korea Electric Power(k)§	200	Aug 2001	5.00	100.00	-	-	Lehman Brothers
Banco Hipotecario Nacional(m)	100	Aug 2006	10⅝#	100.00R	10⅝	+408(5⅝%-06)	Merrill Lynch Intl
Thai Cars(f)	250	Feb 2002	(t1)	100.00	-	-	ING Barings
D-MARKS							
Saint George†	200	Aug 2001	(d)	99.86R	-	-	UBS Deutschland
Oest Kommunalkredit	150	Aug 2003	6.125	101.94	5.780	-	DG Bank
CCCC, 1996-A, Class A(n,s)	1bn	Aug 2001	5.625	99.59R	5.722	+45(5¼-01)	Salomon Brothers Intl
Bank of Melbourne‡	350	Aug 1999	(s)	99.928R	-	-	SBC Warburg
STERLING							
Republic of Argentina	100	Aug 2001	11.50	99.81R	11.55	+390(7%-01)	SBC Warburg
Merrill Lynch & Co(u,s)	75	Dec 2001	7.375	97.57R	7.950	+50(7%-01)	Merrill Lynch Intl
SWISS FRANCS							
Bayer Vereinsbank O'seas	100	Sep 2004	4.375	102.45	4.011	-	Bank von Ernst & Cie
LUXEMBOURG FRANCS							
Kredietbank Luxembourg	2bn	1,875	(e)	Sep 2002	5.50	-	Kredietbank Lux
YEN							
World Bank(f)★	10bn	Aug 1998	6.62#	100.00	6.620	-	IBJ Intl/New Japan
Taisei Corporation(g)★	11bn	Jul 2000	2.45	100.15	-	-	Yamaichi International
Swedish Export Credit(g)★	16bn	Aug 1998	6.76#	100.00	-	-	IBJ/Wako Intl(Europe)
Finnish Export Credit(g)★	10bn	Aug 1998	6.70#	100.00	-	-	Tokyo-Mitsubishi Intl
AUSTRALIAN DOLLARS							
World Bank★	150	Aug 1999	7.50	100.00	7.500	-	DKB Intl/Kankaku(Sing)
ECU							
EBRD(h)	150	Sep 2001	5.75	100.015R	5.746	-7½bp(6%-01)	Crédit Agricole
PESETAS							
EBRD(i)	11.5bn	Dec 2025	8.46	102.00	8.266	-	Banco Bilbao Vizcaya
SNCF	10bn	Aug 2021	8.50	100.958R	8.407	-	BNA/BNP España
ESCUDOS							
Abbey Natl Trsy Services‡	7.5bn	Aug 2001	(r)	100.00	-	-	BSN Portugal
NEW ZEALAND DOLLARS							
Ontario Hydro	100	Aug 1998	8.75	100.93	8.227	-	Toronto-Dominion Bank
Bayerische Vereinsbank(j)	150	Aug 1999	8.75	101.17	8.294	-	Hambros Bank
SLOVAK KORUNAS							
International Finance Corp	1.2bn	Aug 1999	11.75	100.0R	11.75	-	NGB/WoodCommerz
EBRD	750	Aug 1997	12.50	101.05	11.33	-	Bayerische Vereinsbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. фWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Convertible into 3 parts domestic shares to 1 part foreign at baht 270. FX: 25.28baht/$. Puttable in 5 yrs at 124.2568% subject to 131.26% knock-out level. Callable after 5 yrs with 140% hurdle for 2 yrs and 100% hurdle thereafter. Greenshoe: $50m. b) Denoms: $10,000 +2 wnts. FX: 108.95Y/$. Downward revision clause effective 24/8/98, max 80%. c) Callable from Aug 2001 at par. c1) 6-mth Libor +77bp to Aug 2001, then +200bp. d) 3-mth Libor +16bp. e) 5¼% to Sep 1999, then 7%. f) Redeemed in Aus$. g) Redeemed in Aus$. h) Spread relates to French govt Ecu BTAN's. i) Over interpolated yield. j) Sears Credit Card Master Trust. Expected maturity: 17/7/08. Monthly coupons. Controlled amortisation. Average life: 7 yrs. Class B subordinated notes: $22½m. k) Convertible into ADRs at $24½. Callable from 1/8/99 at par. l) Long 1st coupon. m) Puttable on 7/8/00 at par. n) Capital Credit Card Corp, Cayman Islands. Legal maturity: 15/10/04. o) 3-mth Libor +12½bp. p) Deffentliche Pfandbrief. q) Redeemed in Aus$. r) 6-mth Lisbor -15bp. s) Short 1st coupon. t) Collateralised by two portfolios of assets. Average life: 1.5 yrs. 10% cleanup call. t1) 3-mth Libor 22bp. u) Fungible with £100m. Plus 160 days accrued. Note: Yields are calculated on ISMA basis.

[illegible]	[illegible]	[illegible]	[illegible]
1330	36.92	18.76	20.01
1400	26.59	18.41	19.66
1430	22.20	18.31	19.56
1500	21.09	18.31	19.56
1530	20.09	18.31	19.56
1600	19.83	18.31	19.56
1630	20.21	18.57	19.56
1700	20.41	18.31	19.56
1730	19.77	31.48	32.73
1800	18.78	27.50	26.74
1830	17.61	16.92	18.16
1900	17.38	16.79	18.03
1930	17.09	16.66	17.90
2000	16.86	16.58	17.83
2030	16.41	16.58	17.83
2100	16.41	12.55	13.80
2130	12.44	26.98	28.23
2200	20.60	26.98	28.23
2230	20.60	26.38	28.23
2300	20.60	26.98	28.23
2330	12.44	12.55	13.79
3400	12.44	8.03	9.28

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5.15pm Monday to Friday.
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[illegible]	[illegible]	[illegible]	[illegible]
1330	18.37	17.24	19.45
1400	16.67	14.56	16.77
1430	16.67	13.98	16.20
1500	16.32	8.98	8.98
1530	16.32	8.92	8.92
1600	16.32	8.92	8.92
1630	16.32	8.92	8.92
1700	15.32	13.99	16.20
1730	16.32	40.64	42.85
1800	16.32	40.64	42.65
1830	16.32	40.64	42.85
1900	16.32	14.23	16.43
1930	16.32	14.23	16.43
2000	15.38	13.99	16.20
2030	16.12	8.92	8.92
2100	9.05	8.92	8.92
2130	9.05	8.94	8.94
2200	39.68	14.23	16.43
2230	38.68	14.23	16.43
2300	39.68	14.23	16.43
2330	12.84	14.23	16.43
2400	9.05	7.03	8.24

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5.15pm Monday to Friday.
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PUBLIC NOTICES

ATHENS STOCK EXCHANGE July 19th - July 26th 1996 — GREECE

ASE INDEX	885.31	P/E (after tax) 96e/95e	11.0 / 12.0	GDP (USD bn) 96e	123.60
%Chg (2/1/96)	-2.03	EPS GROWTH (%) 96e	8.9	Per Capita Income (USD)	11,550
Yearly High	1028.02	P/E 96e/EPS GROWTH (%)96e	1.24	Inflation Rate (% Y.O.Y. July 96)	8.80
Yearly Low	874.45	P/CE 96e/95e	8.5 / 8.9	12 Month T-bill (%, Mid July issue)	13.00
WEEKLY VOLUME (USD m)	88.34	P/BV 96e/95e	2.3 / 2.8	1-Month Athibor (%)	13.75
%Chg (Prev. Wk)	-31.32	Div. Yield (%) 96e/95e	6.0 / 4.7	GRD/US$	235.87
1 Y Wk Avg. (USD m)	148.87			A.S.E. Market Capitalisation - 26/7/96 (USD bn)	23.74
				IPOs & Rights Issues (in USD m) Jan 1 '96-July 26 '96	548.81

هكذا من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Switzerland	(SFr)	25.25	4.727	4.158	1.224	0.511	1262	1.375	5.273	126.0	104.3	5.444	1	0.532	1.136	0.827	89.53	0.652
UK	(£)	47.50	8.891	7.818	2.303	0.962	2374	2.587	9.919	237.0	196.2	10.24	1.881	1	2.136	1.555	168.4	1.226
Canada	(C$)	22.24	4.162	3.660	1.078	0.450	1111	1.211	4.644	111.0	91.85	4.794	0.881	0.468	1	0.728	78.84	0.574
US	($)	30.55	5.718	5.028	1.481	0.619	1527	1.664	6.379	152.4	126.2	6.585	1.210	0.643	1.374	1	108.3	0.788
Japan	(Y)	28.21	5.280	4.643	1.368	0.571	1410	1.536	5.890	140.7	116.5	6.081	1.117	0.594	1.268	0.923	100.	0.728
Ecu		38.74	7.252	6.377	1.878	0.785	1936	2.110	8.091	193.3	160.0	8.352	1.534	0.816	1.742	1.268	137.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6792	0.6767	-0.0021	0.6802	0.6754	27,411	70,644
Dec	0.6805	0.6809	-0.0021	0.6825	0.6798	530	3,178
Mar	-	0.6855	-0.0021	-	0.6855	280	832

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.8329	0.8301	-0.0025	0.8345	0.8275	17,898	37,498
Dec	0.8349	0.8366	-0.0025	0.8380	0.8343	237	2,140
Mar	-	0.8436	-0.0025	-	0.8426	17	87

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.9296	0.9293	-0.0003	0.9316	0.9255	19,488	69,066
Dec	0.9385	0.9409	-0.0003	0.9417	0.9380	477	4,345
Mar	-	0.9523	-0.0003	-	-	2	142

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5566	1.5538	-0.0040	1.5590	1.5528	6,052	52,070
Dec	1.5550	1.5546	-0.0040	1.5550	1.5540	112	1,181
Mar	-	1.5560	-0.0040	-	1.5550	1	6

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.530	2.42	2.62	-	-	0.32	-
1.540	1.60	1.94	2.30	0.18	0.60	-
1.550	0.93	1.34	1.72	0.51	0.99	-
1.560	-	0.86	1.24	-	1.52	-
1.570	0.17	-	-	-	2.16	-

Previous day's vol., Calls 12,313Puts 11,20. Prev. day's open int., Calls 174,165Puts 146,508

■ Pound in New York

Jul 26	— Close —	— Prev. close —
£ spot	1.5545	1.5580
1 mth	1.5540	1.5575
3 mth	1.5541	1.5575
1 yr	1.5570	1.5586

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Jul 26	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5⅝	5⅞ - 5{11/16}	5{13/16} - 5{11/16}	5{13/16} - 5{11/16}	5⅞ - 5¾	6{1/16} - 5{15/16}
Sterling CDs	-	-	5{23/32} - 5{21/32}	5{23/32} - 5{21/32}	5{25/32} - 5{23/32}	6 - 5{15/16}
Treasury Bills	-	-	5{21/32} - 5{19/32}	5⅝ - 5½	-	-
Bank Bills	-	-	5{11/16} - 5⅝	5{11/16} - 5{21/32}	5{11/16} - 5{11/16}	-
Local authority deps.	5¾ - 5⅞	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	6 - 5⅞
Discount Market deps	6 - 5¾	5{13/16} - 5{11/16}	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jul 26, 5.5143pc. ECGD fixed rate Stlg. Export Finance. Make up day Jun 28, 1996. Agreed rate for period Jul 24, 1996 to Aug 25, 1996, Schemes II & III 7.20pc. Reference rate for period Jun 1, 1996 to Jun 28, 1996, Schemes IV & V 5.835pc. Finance House Base Rate 6pc from Jul 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Jul 26	Jul 19		Jul 26	Jul 19
Bills on offer	£600	£600m	Top accepted rate	5.5151%	5.5151%
Total of applications	£1334m	£3552m	Ave. rate of discount	5.5143%	5.4763%
Total allocated	£600m	£600m	Average yield	5.5912%	5.5521%
Min. accepted bid	£98.625	£98.625	Offer at next tender	£600m	£600m
Allotment at min. level	97%	22%	Min. accept. bid 182 days	-	-

BASE LENDING RATES

Adam & Company 5.75
Allied Trust Bank 5.75
AIB Bank 5.75
Henry Ansbacher 5.75
Duncan Lawrie 5.75
Exeter Bank Limited 6.75
Financial & Gen Bank 7.00
Royal Bk of Scotland 5.75
Singer & Friedlander 5.75
Smith & Williamson Secs 5.75

BANK RETURN

UK GILTS PRICES

STOCK INDICES

FT GOLD MINES INDEX

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

595	Nil	2/9	383pm	85pm	Sema Group	124pm	
110	Nil	28/8	3pm	2pm	Syndicate Cap	2pm	
130	Nil	23/8	10pm	1¼pm	Tinsley Robor	1¼pm	
103	Nil	1/8	18pm	10pm	TransTec	10pm	
80	Nil	27/8	9½pm	5pm	Tullow Oil	8pm	+½

pm premium.

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
[illegible]							

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries All-Share Index.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PROPERTY

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

WATER

[illegible]

AIM

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£29¼	—	Q545c	ф	May Oct	3.93	–
Barlow	♣†	930	-3.2	Q91c	–	Jan Jul	17.6	–
Gold Flds Prop R		121	—	Q80c	1.5	Mar Sep	25.2	–
MK Props		75	—	Q53.9c	–	Mar Sep	1.9	–
SASOL	♥	659	-2.2	Q78c	–	Oct	9.93	–
SA Brews		£17¾	-4.1	Q260c	ф	Jul Dec	3.6	4113
Standard Bank		£24¾	-1.8	Q284c	3.1	Sep Mar	–	–
Tiger Oats	†	880	—	Q114c	3.0	Jan Jul	10.6	–
Tongaat-Hulett		730	-9.2	Q136c	ф	Jan Jun	20.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £3350 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: City Techn (Chem), Sun Life & Provincial (Life Assurance), Vosalle (Support Svs), Ashurst Techs, Circle Comms, Concurrent Techs, Ind British Healthcare, Perdum Foods, Watermark and Whitecross (AIM). Deletions: Hemlo Gold (Extractive Inds), BET (Support Svs), Crusader (Oil Expn).

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Focus Plus (FT and Investors Chronicle news) £8.95.
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Reports published by ShareFinder Ltd.

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For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at www.FT.com.

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Offshore Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 — Jersey 01534 71696
Private Clients 0800 414161 — 00 352 250404230
From O'seas (44) 1732 777377 — Hong Kong (852) 848 1800

	Init Sales Charge	Selling Price	Buying Price	Yield Gr's	City-Line
A$ Accum		A$16.692		6.40	40807
ASch Accum		Sch247.73		2.10	42844
C$ Accum		C$18.587		3.50	40941
DM Accum		DM38.143		2.10	41228
DFl Accum		Dfl31.540		1.80	40959
ECU Accum		Ecu13.398		3.30	41220
FFr Accum		FFr98.047		2.60	41282
HK$ Accum		HK$120.12		4.30	41316
Lira Accum		L29208		8.00	41366
NZ$ Accum		NZ$39.128		8.90	41544
NKr Accum		NKr111.65		3.30	49946
S$ Accum		S$25.900		2.50	48050
SPta Accum		Pta2887.6		6.40	50024
£ Accum		£12.981		4.70	41546
SKr Accum		SKr120.01		4.60	49054
SFr Accum		SFr28.335		1.10	41550
US$ Accum		$23.285		4.30	41575
Yen Accum		Y2888.8		0.10	41582

Prices for dealing July 26

Jupiter Tyndall (Bermuda) Ltd

PO Box HM1256, Hamilton, Bermuda — 001 809 292 2780
Jupiter Tyndall World Umbrella Fund Ltd

	Init Sales Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Eurobond		$15.55	16.34	3.61	45873
Money (2)		$14.12	14.83	2.93	45872
Mortgage (z)		C$23.15	24.32	7.69	45875
North American		$13.84	14.20	-	45871
Overseas		$19.03	19.99	-	45876
Tiger		$17.70	18.59	-	45877

Lloyds Intl Money Market Fund Ltd

Sarnia Hse, Le Truchot, St Peter Port — 01481 724989
Lloyds Bank Fund Managers (Guernsey) Ltd

	Init Sales Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Australian Dollar ♦		A$85.483		6.684	45405
Canadian Dollars ♦		C$29.412		3.704	44463
Deutschmarks ♦		DM69.171		2.390	45406
Dutch Guilders ♦		Dfl25.868		1.885	44853
ECU's ♦		Ecu38.700		3.512	45407
French Francs ♦		FFr197.082		2.818	45408
Italian Lira ♦	0	L29111.850		8.600	-
Japanese Yen ♦		Y3400.085		0.095	45409
New Zealand Dollar ♦		NZ$84.432		9.293	45410
Norwegian Kroner ♦	0	NKr101.883		3.618	-
Portuguese Escudos ♦		Es3771.409		6.694	44936
Spanish Pesetas ♦		Pta2573.217		8.851	44845
Sterling Class ♦		£30.612		4.972	45411
Swedish Kronor ♦	0	SKr101.504		4.606	-
Swiss Francs ♦		SFr80.714		1.487	45412
US Dollar Class ♦		$41.690		4.582	45413
Managed Sterling		£13.251		7.211	46159
Managed US$		$25.460		6.655	46160

Dealing Daily

M & G (Guernsey) Ltd

Westbourne, The Grange, St Peter Port — 01481 722863

	Init Sales Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Island Global Fd	0	1790.5	1897.9	1	45419
Island Gold	0	4295.3	4553	0.04	50128
(Accum. Units)	0	8161.3	8872.2	0.04	45422
Island UK Fd	0	1002.6	1062.8	3.62	45423
(Accum Units)	0	2415	2559.8	3.62	45424

Prudential Fund Managers (Guernsey) Ltd

Po Box 67, St Peter Port Guernsey — 01481 707000
Prudential Money Funds Ltd

	Init Sales Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Managed Sterling		158.4	158.5	4.01	45637
Managed Dollar	6	$14.42	14.43	3.77	45638
Dollar Deposit		$10.09	10.10	3.79	45640

Rothschild Asset Management (CI) Ltd

PO Box 242, St Peter Port, Guernsey — 01481 7197420

	Init Sales Charge	Selling Price	Buying Price	Yield Gr's	City-Line
FAIB £ Bond	3¼	£21.50	21.99	5.52	47645
FAIB US$ Bond	3¼	$32.05	33.13	5.88	47647
FAIB £ Global	3¼	£17.79	18.38	5.64	44845
FAIB US$ Global	3¼	$30.31	31.33	5.64	44980
Five Arrows Latin Am Dist	5	£13.40	14.41	0	44856
FARL £		£44.574		4.76	45664
FARL A$		A$49.385		8.43	45665
FARL C$		C$95.55		3.51	45666
FARL DFl		Dfl102.041		1.84	45667
FARL DKr		DKr298.04		2.68	45668
FARL DM		DM67.548		2.18	45669

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Murray Johnstone (Dublin) Ltd

Europa House, Harcourt St, Dublin 2 — 3531 407 2000
Murray Global Accumulation Fund Plc

	Init Sales Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Murray Financials Bond	2	102.45		6.57	-

Odey Asset Management Ltd

60 Harcourt Street, Dublin 2 — 00 3531 790 2400

	Init Sales Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Odey European Gth Inc		DM151.00		-	45084
Odey European Gth Acc		DM151.58		-	45130
Odey European Gth Inc		£65.55		-	51293
Odey European Gth Acc		£65.80		-	51294

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Umbrella Fund Inc	$12.48	12.86	5.64	45874
Greater America Fund '92	$86.97		0.00	45879
Pacific Emerging 94 A	$84.86		0.00	52199
Pacific Emerging 94 B	$87.37		0.00	52200
Latin America	$97.81		0.00	54437

Berkshire KITC Growth Fund Plc

	Selling Price	Buying Price	Yield Gross	City-Line
NAV	$8.19		-	-

Berkshire Korea Fund Plc

	Selling Price	Buying Price	Yield Gross	City-Line
NAV	$5.80		-	55936

Bordier Invest (Ireland) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Invest Korea Fd NAV Jul 25	$82.52		-	48005

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

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	Selling Price	Buying Price	Yield Gross	City-Line
The Portugal Fund Limited				
Lloyds Bank International (Jersey) Limited				
NAV Jul 19	57.14		–	47485
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£23.35	23.59xd	1.14	45838
Lowes Aggressive Portfolio	£10.73	11.29	–	63574
Lowes Defensive Pfolio	£11.74	12.34	–	41083
Lowes Collective Pfolio Ltd	£11.2	11.75	–	54472

For Stringster Mngt see Hopkins

	Selling Price	Buying Price	Yield Gross	City-Line
TSB Fund Managers (CI) Ltd				
TSB Island Pension	702.4	739.4	–	45822
Island Equity Acc	122.6	129.0	–	55105
WMB Asset Management (Jersey) Ltd				
Pan 98 En Mkt Debt Issues	$998.21	998.34	–	–
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$255.90	267.22	5.85	44715
Escalle Global Eqty $ *	$76.50	76.60	–	47976
Equity Stg Global Fund Inc*	£11.80	11.87xd	4.90	49198

Valued weekly. * Mondays. † Wednesdays

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monnet, L-2180 Luxembourg 352 424049530

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
EquiFund–Wright National Eqty Fd (u) (x)					
14 rue Aldringen, L-1118 Lux 00 352 475 98500					
Australasian Nat.		A$15.12	15.27	–	40415
Austrian Nat Equity		Sch65.8	65.74	–	44744
Belgium/Lux Nat. Eqty		BF712	720	–	40460
French Nat Equity		Ffr127.8	128.81	–	44745
German Nat Equity		DM17.18	17.24	–	44947
Dutch Nat Equity		Dfl35.5	35.46	–	44948
Italian Nat Equity		L11869	11869	–	44749
Japanese Nat Equity		Y1345	1359	–	40223
Hong Kong Nat Equity		HK$113.7	114.55	–	44701
Spanish Nat Equity		Pta1174	1180	–	44751
UK Nat Equity		£10.11	10.21	–	44794
United States Dly Res		$10.95		–	40228
Fidelity Funds (u)					
Kansallis Hse, Place de l'Etoile, L-1021 Lux BP 2174					
UK-01732 777377 Lux-00 352 250 4041290					
Major Market Funds					
America		42.134		–	41884
Europe		DM44.807		–	42072
International		$15.89		–	47763
Japan		Y1135.6		–	42254
Pacific		35.807		–	52203
South East Asia		52.664		–	42257
Country Select Funds					
ASEAN		$21.16		–	42288
Asian Special Situations		$10.55		–	55152
Australia		A$14.77		–	42702
Emerging Markets		$9.431		–	50142
European Sml Cos F		DM12.35		–	–
France		FFr81.51		–	42290
Germany		DM19.50		–	42291
Hong Kong		$42.96		–	42280
Iberia		Pta1744		–	42294
Indonesia		$10.39		–	55139
Italy		L14728		–	42296
Japan Smllr Cos		Y1133		–	47704
Korea F		$8.585			

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	Yield Gross	City-Line
Global Afic Inc				
NAV Jul 9	$1347.67		-	51670
Global Convertible Megatrend				
NAV Jun 30	$116.47		-	55690
Global Investment Fund Ltd				
NAV Jun 30	$857.87		-	54078
Global Leveraged Futures Fund				
NAV Jul 8	$22.34		-	55391

	Selling Price	Buying Price	Yield Gross	City-Line
Kenmar Global Investments Limited				
Agathe Growth Jun 30	$21.351		-	58360
Columbia Growth Jun 30	$24.645		-	58361
Cygnus Multi-Strategy Jun 30	$19.270		-	58362
Dolphin Multi-Strategy Jun 30	$26.542		-	58363
Taurus Select Strategy	$25.90		-	-
KI Asia Pacific Fund Ltd				
KI Asia Pacific	$16.98	11.11	-	51880
Kingate Global Fund Ltd				
Class A NAV Apr 30	$103.26		-	54121

JAN100 350

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 26 / Sch)

BELGIUM/LUXEMBOURG (Jul 26 / Frs.)

CZECH REP (Jul 26 / Koruna)

DENMARK (Jul 26 / Kr)

FINLAND (Jul 26 / Mkk)

FRANCE (Jul 26 / Frs.)

GERMANY (Jul 26 / Dm.)

GREECE (Jul 26 / Drachma)

ITALY (Jul 26 / Lire)

NORWAY (Jul 26 / Kroner)

POLAND (Jul 26 / Zloty)

PORTUGAL (Jul 26 / Escudo)

SPAIN (Jul 26 / Pts.)

NETHERLANDS (Jul 26 / Fls.)

SWEDEN (Jul 26 / Kronor)

SWITZERLAND (Jul 26 / Frs.)

TURKEY (Jul 26 / Tk Lira)

PACIFIC

JAPAN (Jul 26 / Yen)

	Price	+/-	High	Low	Yld	P/E
Daiiyo	730	+10	906	631	...	...
D'wamu	707	+5	899	485	...	...
DNpInk	486	-12	570	381	...	...
DaiNPh	1,140	...	1,210	887	...	...
DaiNPr	2,020	+30	2,140	1,380	...	...
DNoTor	412	+12	475	305	...	...
DaiwaP	791	-19	1,070	452	...	...
DTokFM	743	-15	834	698	0.9	...
DaiwaB	718	+6	875	693	...	...
DaiwaH	1,610	-10	1,760	1,390	...	74.1
DaiwaS	1,270	...	1,700	1,010	0.7	...
DennJp	3,590	...	4,000	2,460	0.7	...
DowaFM	591	-4	636	449	1.1	...
DowaMn	510	+2	570	395	...	...
Ebara	1,730	+20	1,800	1,240	...	...
Eisai	1,960	...	2,160	1,387	...	...
EzakiG	1,140	+20	1,220	800	...	...

	Price	+/-	High	Low	Yld	P/E
NgYldy	632	-18	1,100	374	...	...
Nagase	986	...	1,060	735	0.8	...
NgHrd	518	+2	570	460	...	...
NatHse	1,680	+10	1,970	1,620	...	...
NaoLne	294	+2	367	208	...	...
NewOji	926	+16	1,010	832	...	...
Nichiro	737	+3	790	543	...	...
NihnCm	763	+17	833	522	...	...
NihnNo	500	+9	545	330	0.6	...
NihnPk	666	+5	835	537	...	...
Niigat	377	+3	440	292	...	...
NikkoS	1,720	+20	1,420	798	0.6	...
Nikon	1,240	+20	1,800	949	...	...
N'tend	7,220	-30	8,870	5,850	...	...
NpCrBk	392	+1	496	371	...	...
NpDnko	600	+10	596	310	...	...
NpDnso	2,200	+50	2,440	1,880	...	...

HONG KONG (Jul 26 / H.K.$)

INDONESIA (Jul 26 / Rupiah)

MALAYSIA (Jul 26 / MYR)

NEW ZEALAND (Jul 26 / NZ $)

SINGAPORE (Jul 26 / S$)

AUSTRALIA (Jul 26 / Aust$)

SOUTH KOREA (Jul 26 / Won)

TAIWAN (Jul 26 / TW $)

THAILAND (Jul 26 / Baht)

	Price	+/-	High	Low	Yld	P/E
Advlnf	330	-34	510	202	1.5	...
BgkBk	304	-8	380	248	1.8	...
BgkLnd	26.75	-7.25	45	26.75	0.9	...
CPFeed	126	-2	190	104	...	...
FinOne	110	...	177	104	2.7	...
KThBk	108	...	147	99.50	2.8	...
LndHse	380	-2	512	308	1.4	...
PhTran	168	-1	360	162	2.2	...
SiamCm	1,018	-12	1,798	1,018	2.0	...
SiamCi	248	+10	438	222	3.2	...
SiamCB	300	-4	420	240	3.0	...
TelAs	48.50	+.25	92	47	...	...
ThaiFm	248	-12	324	196	2.2	...

AFRICA

SOUTH AFRICA (Jul 26 / Rand)

MONTREAL (Jul 26 / Can $)
4 pm close

NORTH AMERICA

CANADA

TORONTO (Jul 26 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Jul 26	Jul 25	Jul 24	1996 High		1996 Low	
Belgium							
BEL20(1/1/91)	1670.99	1664.25	1652.60	1773.26	28/5	1574.98	2/1
Brazil							
Bovespa(29/12/83)	59685.0	60983.0	60510.0	66522.80	12/7	43901.00	2/1
Canada							
Metals Minls♦(1975)	4992.24	4940.99	4922.58	5924.69	8/5	4687.47	16/1
Composite♦(1975)	4933.30	4906.30	4880.28	5248.40	31/5	4709.70	15/1
Portfolio§§(4/1/83)	2440.98	2424.21	2407.28	2585.55	27/5	2327.30	12/1
Chile							
IGPA Gen♦(31/12/80)	5567.37	5588.63	5595.24	5894.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	404.73	404.19	405.05	415.10	4/7	369.49	2/1
Finland							
HEX General(28/12/90)	1957.69	1956.69	1935.63	2070.42	31/5	1851.87	10/1
France							
SBF 250(31/12/90)	1350.75	1356.14	1342.94	1457.56	6/6	1250.16	2/1
CAC 40(31/12/87)	1982.86	1974.67	1954.10	2148.79	30/4	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	872.21	872.85	867.57	911.74	5/7	818.56	2/1
Commerzbank(1/12/53)	2525.10	2526.30	2510.70	2627.60	5/7	2370.20	2/1
DAX(30/12/87)	2470.34	2465.00	2447.80	2583.49	5/7	2284.86	2/1
Greece							
Athens SE(31/12/80)	885.31	879.94	876.87	1017.98	4/3	876.87	24/7
Hong Kong							
Hang Seng(31/7/64)	10705.57	10708.97	10599.86	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3580.00	3559.26	3582.06	4069.26	18/6	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	581.30	568.44	571.72	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2426.43	2414.46	2395.22	2585.19	18/6	2234.81	2/1
Italy							
Banca Comm. Ital.(1972)	599.66	605.22	608.27	674.10	20/5	572.21	27/3
MIB General(2/1/96)	1016.0	1026.0	1033.0	1142.00	20/5	979.00	27/3
Japan							
Nikkei 225(16/5/49)	21124.80	20883.84	20631.03	22666.80	28/6	19734.70	13/3
Nikkei 300(1/10/82)	296.66	293.98	291.90	319.70	25/6	284.48	11/3

	Jul 26	Jul 25	Jul 24	1996 High		1996 Low	
CBS Tendency(End 83)	598.5	602.8	599.2	632.00	12/6	538.30	2/1
CBS All Shr(End 83)	355.0	357.4	351.8	387.10	12/6	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2122.20	2100.84	2095.85	2283.06	4/1	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1367.52	1368.41	1362.96	1488.71	12/6	1259.68	30/1
Philippines							
Manila Comp(2/1/85)	3064.60	3087.25	3075.36	3374.40	5/7	2878.97	2/1
Portugal							
BTA 30(4/1/93)	1928.08	1925.81	1927.02	1999.29	3/7	1802.81	2/1
Singapore							
SES All-S'pore(2/4/75)	533.88	537.08	540.02	619.37	5/2	533.88	26/7
South Africa							
JSE Gold(28/9/78)	1743.0♥	1744.8	1750.5	2030.40	29/5	1348.40	2/1
JSE Ind.(28/9/78)	7845.9♥	7872.7	7819.7	8739.30	25/1	7723.20	20/5
South Korea							
KoreaCmpEx**(4/1/80)	814.03	820.29	832.48	986.84	7/5	812.86	16/7
Spain							
Madrid SE(30/12/85)	350.28	354.03	351.37	376.25	1/7	323.75	11/1
Sweden							
AffarsvardsGen(1/2/37)	1873.3	1870.2	1845.1	2019.09	6/6	1706.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1670.83	1678.70	1682.25	1811.69	11/7	1518.19	17/1
SBC General(1/4/87)	1195.38	1195.24	1177.49	1284.99	11/7	1114.47	29/1
Taiwan							
WeightedPr.**(30/6/66)	6053.70	6034.07	6035.74	6880.41	29/6	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1110.23	1118.86	1143.98	1405.84	6/2	1110.23	26/7
Turkey							
Istanbul Cmp.(Jan 1986)	64425.41	63067.9	63706.3	79981.39	8/7	36709.30	2/1
WORLD							
MS Capital Intl(1/1/70)	745.2*	743.3*	737.3	780.29	1/7	725.98	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1596.81	1598.06	1589.46	1769.78	4/7	1594.40	11/1
Euro Top-100(26/6/90)	1385.42	1388.88	1388.18	1458.28	26/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	361.37	362.58	389.16	16/4	344.19	2/1
ING Bngs Emrg(7/1/92)	154.67	155.55	166.83	169.91	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
Jul	1975.0	1965.0	-5.0	1980.0	1958.0	14,194	24,052
Aug	1980.0	1970.0	-5.0	1984.0	1965.0	5,244	12,973
DAX							
Sep	2481.0	2482.0	+3.5	2490.5	2477.0	11,532	-
Dec	2497.0	2500.5	+3.5	2505.5	2497.0	51	-
OMX							
Jul	1435.00	1432.00	-6.00	1436.00	1430.00	491	7,731
Aug	1445.00	1439.50	-5.00	1445.00	1431.00	1,915	13,452
SOFFEX							
Aug	3551.0	3593.0	-4.0	3554.8	3532.0	5,282	29,059
Oct	-	3551.3	-	-	-	-	266

US INDICES

Dow Jones	Jul 26	Jul 25	Jul 24	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5473.06	5422.01	5354.69	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.54	101.46	101.74	106.09 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1982.28	1967.37	1965.73	2298.29 (22/5)	1882.71 (18/1)	2298.20 (22/5/96)	12.32 (8/7/32)
Utilities	207.31	207.24	208.36	234.08 (12/2)	205.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5503.02 (5469.28) Low 5397.97 (5355.80) (Theoretical♦)
Day's high 5474.64 (5431.26) Low 5423.12 (5355.88) (Actual♦)

Standard and Poors	Jul 26	Jul 25	Jul 24	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	635.90	631.17	626.65	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	752.77	746.62	740.97	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	65.77	64.88†	64.32	68.56 (5/3)	58.87 (10/1)	68.66 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	340.87	338.37	336.07	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	538.15	532.59	528.00	614.99 (22/5)	525.66 (16/7)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1079.44	1062.39	1042.37	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Jul 19	Jul 12	Jul 5	Year ago
Dow Jones Ind. Div. Yield	2.30	2.26	2.22	2.46
	Jul 17	Jul 10	Jul 3	Year ago
S & P Ind. Div. yield	2.32	2.03	na	2.07
S & P Ind. P/E ratio	18.63	21.97	na	18.68

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Micron Tch	6,412,300	19⅝	+1⅝
Compaq	5,135,900	53	+1¼
IBM	3,985,900	104	+¾
LSI Logic	3,438,200	20⅜	+2⅝
Pepsico	3,215,300	31¼	+⅛
Walt Disney	3,088,400	54	-⅛
YPF	3,004,800	20⅝	-⅜
AT & T	3,012,100	51¼	+⅛
Schering-P	2,624,800	55⅜	-1¼
Glaxo Wl	2,428,800	27⅛	-⅜

■ TRADING ACTIVITY

● Volume (million)

	Jul 26	Jul 25	Jul 24
New York SE	349.842	403.617	460.980
Amex	15.425	17.876	24.625
NASDAQ	(u)	555.383	681.273
NYSE			
Issues Traded	3,134	3,127	3,164
Rises	1,547	1,532	645
Falls	795	826	1,820
Unchanged	792	769	699
New Highs	23	18	3
New Lows	50	88	174

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Sep	635.20	639.35	+4.15	639.50	634.80	68,094	178,971
Dec	642.35	645.15	+4.30	645.30	640.70	755	8,573
■ Nikkei 225							
Sep	21000.0	21080.0	+170.0	21130.0	20920.0	202,136	233,847
Dec	20850.0	21110.0	+160.0	20950.0	20850.0	650	11,498

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, July 26, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Stl Cp	11.1m	349	+10
Kobe Steel	6.6m	286	+3
Sumitomo Mtl Ind	5.3m	311	+7
Mitsubishi Hvy	5.2m	898	+11
Osaka Gas	4.6m	390	+9
Kawasaki Hvy Ind	4.2m	518	-2
New Oji Paper	3.7m	926	+15
NKK Corp	3.5m	299	+3
Nippon Yusen KK	3.5m	601	+12
Nissan Motor	3.2m	873	+16

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 26

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¾	17¾	AAR x	0.48	2.6	18	195	18⅞	18¾	18¾	-⅛
46⅛	36⅛	AMP	1.00	2.7	17	7136	37⅞	36⅞	37⅞	+⅞
97½	66	AMR			15	3865	79⅝	77½	78⅞	+1
50½	37⅞	ASA	1.80	4.6	25	401	39¼	38¼	39	+¾
45¼	36⅛	AbbtL	0.96	2.2	19	5856	44⅝	44	44⅝	+½
17¾	12¼	Abitibi Pr	0.40	3.2	6	178	12⅝	12⅝	12⅝	
40⅞	27	ABM Ind	0.70	1.9	18	143	36¾	36¼	36¼	-½
18⅝	13⅞	Acptncein			46	55	17⅞	17¾	17¾	-⅛
50⅜	37¾	ACE Ltd	0.56	1.3	10	1271	44⅛	43½	44	+⅜
10	9⅛	ACM Gvt In	0.90	9.1	8	113	9⅞	9¾	9⅞	+⅛
7⅞	6⅝	ACM GvOpp	0.57	8.1		46	7	7	7	
7¼	6	ACM Gvt Sp	0.66	10.2		166	6⅝	6½	6½	
9⅛	8¼	ACM Gvt Sr	0.90	10.1		263	8⅞	8¾	8⅞	+⅛
9½	8⅜	ACM Man	0.90	10.1		230	9	8⅞	8⅞	-⅛
13⅞	6⅛	Acme Elect			42	146	7½	7¼	7⅜	+⅛
23¾	27¾	Acordia	0.80	2.6	18	3	31	31	31	+⅛
21⅜	12	Acuson			64	2685	13	12¾	12⅞	-⅛
19½	17⅞	Adams Expr	0.48	2.6	0	88	18⅜	18⅛	18⅜	+¼
21¼	10¼	AdvMic			8	10059	12⅜	10⅝	12⅜	+1⅞
11⅛	8½	Advest Grp	0.16	1.6	7	61	9⅞	9⅝	9⅞	+⅜
26⅛	9⅛	Advo Inc	0.10	1.0	461	298	9⅝	9⅜	9⅝	+⅛
60⅜	41⅞	Aegon	1.18	2.7	13	69	45	44⅜	44⅞	+½
6¾	3½	Aerflx			3	173	4⅞	4¾	4⅞	+¼
78¾	55⅜	Aetna	2.76	4.4	16	15867	62½	61⅛	62½	
33	28¼	Aflac	0.40	1.3	13	3908	31⅞	31¼	31⅝	+¼

Continued on next page

NYSE PRICES

4 pm close July 26

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close July 26

AMEX PRICES

4 pm close July 26

FT GUIDE TO THE WEEK

MONDAY 29

Ulster peace plenary session

Northern Ireland parties are expected to participate in a plenary session of the peace talks process, paving the way for substantive political discussions to open when the negotiating teams reconvene in September. After bitter wrangling, the nine parties – with the London and Dublin governments – are due to agree the rules and procedures for roundtable negotiations on the province's constitutional future. The breakthrough occurred after George Mitchell, the US senator chairing the talks, tabled a compromise paper agreed by the parties last week.

US/Japan semiconductors

US and Japanese trade negotiators start negotiations in a last-minute attempt to reach an agreement over semiconductors before a bilateral accord expires on Wednesday. The two sides, due to meet in Vancouver, Canada, differ widely on what kind of co-operative arrangement should replace an accord lauded by the US as a model for future trade pacts but maligned by Japan as sanctioning managed trade. The agreement has forced Japan to ensure that the foreign share of its semiconductor market reaches 20 per cent.

Blair reshuffles his team

Tony Blair, the leader of the UK opposition Labour party, embarks on the last stage of this year's round of summer reshuffles. In last week's shadow cabinet adjustment, he demoted Clare Short, the leftwing transport spokeswoman, and installed the ultra-loyal Andrew Smith in her place. This week, in a reshuffle of the middle and lower ranks of his team, he is likely to give more responsibility to rising stars of the 1992 intake of MPs in order to prepare them for jobs in a Labour government. Full details of the reshuffle may not be released until later in the week.

Brisbane fisheries congress

The second world fisheries congress starts in Brisbane, where about 900 scientists and academics from more than 60 countries will gather to discuss the future of the world's fisheries. The four-day conference is expected to focus on sustainability and the replenishment of fish stocks as global fishing pressures continue to mount.

UN nuclear test ban treaty

The 61 members of the United Nations *disarmament conference return to Geneva* to give their verdict on a draft nuclear test ban treaty. In June, negotiators were unable to agree vital issues including conditions for the pact to enter into force and the regime for on-site inspections. Jaap Ramaker, the chairman, hopes his draft can be agreed this week, enabling the treaty to go forward for signing at the UN general assembly in September. India, which will not sign the pact, has not *indicated whether it will block* agreement. Decisions must be by consensus.

Possible action against Major Pierre Buyoya (centre), Burundi's military ruler who took power last week, is to be discussed by African states on Wednesday

Finance ministers in Chile

Eduardo Aninat, Pedro Malan and Guillermo Ortiz, the finance ministers of Chile, Brazil and Mexico respectively, address a seminar in Santiago. They will present economic forecasts for their countries and talk about business opportunities in Latin America. Chile's once-insular companies have invested an estimated $9bn (£5.7bn) in the region in the past four years, and $4.4bn in 1995 alone, mainly in Argentina but also in Peru, Bolivia, Brazil and Colombia.

Public holidays

Bangladesh, Netherlands Antilles, Peru, Sri Lanka.

TUESDAY 30

G7 conference on terrorism

Foreign and interior ministers from the Group of Seven industrial countries, and Russia, meet in Paris to try to put forward recommendations for combating terrorism. The meeting may gain a greater sense of urgency in the light of recent bomb attacks in Spain by Eta, the Basque separatist group, and moves by Bill Clinton, the US president, to put the *adoption of more concrete measures to* fight terrorism high on his electoral agenda. It is likely to generate more co-ordination on drug trafficking and organised crime.

US employment data awaited

Financial markets are eagerly awaiting the release of the US employment cost index for the second quarter. This arcane *statistic is attracting interest because it* includes the most reliable measure of US wage inflation. Confirmation of a trend towards higher pay awards evident in the first three months would increase the chance of an early increase in US interest rates. Markets will also be watching figures for second-quarter growth, due on Wednesday, and July employment, due on Friday. Another big increase in payroll employment could trigger a tightening of monetary policy in August.

Moonlight at the Acropolis

Tourists in Athens are allowed to visit the Parthenon by moonlight for the first time in 20 years. Keeping the Acropolis open this summer until 1.30am on the *night of the full* moon is part of a plan to make the city more attractive to visitors. However, it may be scrapped if some Greek archaeologists get their way. They argue that opening the fifth-century BC temple precinct at night could encourage vandalism.

Clarke and George meet

Kenneth Clarke, the UK chancellor, holds his regular monetary meeting with Eddie *George, the governor of the* Bank of England. The chancellor is likely to leave interest rates on hold, after the spate of strong consumer spending data and hints of an improvement in manufacturing.

Women in the workplace

Improving the lot of the world's women workers is the theme of an action guide published by the Geneva-based Interna*tional Labour Organisation. Nearly half of* all women are in the labour force, but they work longer hours and are paid far less than men. The report, a follow-up to the 1995 UN conference on women in Beijing, says that nowhere has equality of opportunity and treatment been achieved. Recommendations include measures to protect women from workplace hazards and improve social security protection.

Horse racing

Start of the "Glorious Goodwood" race meeting: one of the highlights of the English summer social season (to Aug 3).

Public holidays

Cuba, Netherlands Antilles, Sri Lanka, Thailand, Vanuatu.

WEDNESDAY 31

Leaders discuss Burundi

Presidents Benjamin Mkapa of Tanzania and Yoweri Museveni of Uganda meet in Arusha, Tanzania, to discuss action about last week's Tutsi coup in Burundi. The two have condemned the overthrow of Hutu president Sylvestre Ntibantunganya but have stopped short of calling for his restoration. Possible action against the new regime, led by Major Pierre Buyoya, includes stopping Burundi's use of the two *countries' road and railway links for* imports and exports. Diplomats say agreement between African leaders is crucial to the global response, and without it Western countries will have an excuse to avoid action.

Colombian drug baron freed

Another Colombian drugs baron is to leave jail, after serving 5½ years. Juan David Ochoa Vasquez, a Medellin cartel leader, walks out of prison only a few weeks after his brother, Jorge Luis. Another brother is to be freed *in August.* Accused of smuggling hundreds of tons of cocaine, money laundering and several murders, the brothers surrendered in return for soft sentences. Meanwhile their Cali colleagues, Miguel and Gilberto Rodriguez Orejuela, have accepted charges of drug trafficking and money laundering. This coincides with pressure for the reinstatement of extradition to the US, where they would face life sentences.

Final bids for MoD homes

Final bids must be received for the 58,000 homes in the Ministry of Defence married quarters estate. Defence chiefs hope the privatisation will raise between £1.5bn and £2bn. The shortlisted bidders are groups led by British Land, the UK property company, ING, the Dutch financial institution, Nomura, the Japanese securities house, and a consortium consisting of Lehman Brothers and Bankers Trust, the US investment banks.

Ifor commander steps down

US Admiral Leighton Smith steps down as commander of the Nato-led Implementation Force (Ifor) in Bosnia. He will be replaced by Vice-Admiral Joseph Lopez, the deputy chief of naval operations in the Pentagon. Meanwhile, as part of the pressure on Serb leaders to comply with the Dayton peace plan, John Kornblum, *the senior US mediator for the region,* will return this week to former Yugoslavia.

Nato mandate up for renewal

The deadline expires for Turkey's parliament to renew the mandate for US-led air patrols based in Turkey to continue enforcing a United Nations no-fly zone over Iraq's Kurdish provinces. Operation Provide Comfort began after the Gulf war to protect Iraqi Kurdish rebels from Baghdad and to stop mass migration of local Kurds into Turkey. But Turkish politicians claim western involvement in northern Iraq shelters guerrillas of the Kurdistan Workers Party (PKK). The new Islamist-led coalition, which criticised the operation in opposition, is under intense pressure from the US and the Turkish military to allow the flights to continue.

THURSDAY 1

Bangladesh president vote

Bangladesh's parliament is expected to elect the country's next president, to succeed Abdur Rahman Biswas, whose five-year term formally ends on October 8. Shahabuddin Ahmed, the former chief justice, is almost certain to assume the post following his unopposed nomination by Sheikh Hasina, the leader of the Awami League, which assumed power after Bangladesh's recent elections. Mr Ahmed served as acting president in 1991.

Brazil election campaign

Campaigning officially starts for Brazil's municipal elections, which will be the first electoral test of the government of President Fernando Henrique Cardoso. Voters go to the polls on October 4 to elect mayors in more than 4,000 municipalities. Four out of 81 senators and 121 out of 513 federal deputies are running for local office; many will retain their seats in congress during the campaign. Even those congressmen not running will devote themselves mostly to campaigning for their colleagues – making it harder for Mr Cardoso to push through his already-delayed reform programme.

Public holidays

Benin, Bermuda, Nicaragua, Switzerland, Trinidad, Zaire.

FRIDAY 2

BT responds to Oftel

British Telecommunications is to respond to the UK telecommunications industry regulator's proposals for controls on its prices and ways of policing its activities to 2001. The regulator, Oftel, proposes BT limits price increases for residential and small business users to the rate of inflation minus 4.5 percentage points. But he is also *linking this to a fair* trading condition – which might trigger BT's rejection. This would force Oftel to refer the issue to the Monopolies and Mergers Commission.

Public holidays

Bermuda, Cook Islands, Costa Rica, Macedonia.

SATURDAY 3

Bowls

Women's world championships. Leamington Spa, England (to Aug 24).

Sailing

Cowes Week, Isle of Wight, England (to Aug 10).

Public holidays

El Salvador, Equatorial Guinea, Niger.

SUNDAY 4

Olympic marathon ends

After a terrorist bomb outrage and fierce controversy *over organisational* mishaps, the Atlanta Olympics come to a weary end. The last day is climaxed by the men's marathon and the closing ceremony. Apart from the bomb attack, Atlanta's Games will be recalled for the row over IBM's computer system and the host country's alleged jingoism and orgiastic flag-waving. Once the Games close, the spotlight will switch to Sydney, Australia, which may be regretting its offer to host the millennial Olympics in 2000.

Public holiday

El Salvador.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: Japan and the US are likely to be in the spotlight this week, with fresh economic data providing clues about trends there.

June's industrial production in Japan is expected to show a small fall, after last month's rise.

Tuesday: Japan's unemployment data should show little change, although some economists hope that the rate will have edged down slightly in June.

Wednesday: Japan's construction and housing data is likely to show little change.

Meanwhile, France's unemployment rate is expected to be flat in June. The French INSEE survey of industrial companies will be closely watched for any hints of a downturn.

Thursday: A feast of US data will have the markets on edge today. The US second quarter gross domestic product data will be watched for signs that the country's economy is accelerating.

Meanwhile, July's survey of purchasing managers may provide evidence of stronger demand.

Friday: US July payroll figures are forecast to show further strong growth.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	June wh.sl pr.indx (2nd 10 days)	-	0.1%
July 29	Japan	June industrial production†	-1.7%	2.4%
	Japan	June shipments†	-	2.6%
	UK	June consumer credit	£750m	£664m
	Italy	June hourly wages	4.0%	4.0%
	Belgium	July consumer price index*	0.4%	0.0%
	Belgium	July consumer price index**	1.8%	1.8%
	Spain	Q2 quarterly unemployment	22.5%	22.9%
	Aus.lia	June current account $bn	-1.8	-2.15
Tues	Japan	June unemployment rate	3.4%	3.5%
July 30	Japan	June job offers/seekers ratio	0.7%	0.69%
	US	Mitsubishi index	-	0.3%
	US	June new home sales	780k	828k
	US	July consumer confidence	99.0	97.6
	France	May trade balance†	FFr7bn	FFr3.6bn
	Sweden	June trade balance	SKr12bn	SKr12.4bn
	Aus.lia	June building approvals	0.5%	1.7%
Wed	US	July Chicago NAPM†	54.0%	53.3%
July 31	US	July agriculture prices	-	7.2%
	Japan	June construction orders**	-	-8.8%
	Japan	June housing starts**	19%	18.1%
	Japan	June construction starts**	-	21.5%
	France	June unemployment rate†	12.4%	12.4%
	France	June jobseekers†	0.6%	1.0%
	Canada	May real GDP - factor cost*	-	7.2%
Thurs	US	Q2 GDP advance	3.8%	2.2%
August 1	US	Q2 GDP deflator advance	2.6%	2.4%
	US	June construction spending	0.5%	-0.9%
	US	M2 (w/e July 22)	$5.3bn	-$8.9bn
	US	July domestic auto sales	7.2m	7.3m
	US	July domestic light truck sales	5.9m	6m
	Japan	July auto sales**	-	-4.3%
	Norway	Q2 GDP advance	-	2.2%
	Venez.la	June consumer prices index*	6.0%	7.1%
	Venez.la	June consumer prices index**	114.6%	108.1%
Fri	UK	July official reserves ($bn)	-	-$119m
August 2	Ireland	July unemployment rate	12.6%	12.6%
	US	July non-farm payrolls	190k	239k
	US	July manufacturing payrolls	5k	-7k
	US	July hourly earnings	0.3%	0.8%
	US	July factory orders	-0.3%	2.4%
	US	July unemployment rate	5.4%	5.3%
During the week...				
	Germany	June ind. production (West)*	-	0.9%
	Germany	June ind. production (East)*	-	1.9%
	Germany	June manuf. output (pan Ger)*	-0.3%	1.1%
	Germany	June ind. production (pan Ger)*	-0.3%	1.0%
	Switz.ld	July fed. consumer prices index**	0.8%	0.9%
	Brazil	June unemployment rate	5.8%	5.91%

*month on month, **year on year, †seas.adj. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

No.9,132 Set by DANTE

A prize of a Pelikan New Classic 350 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 8, marked Monday Crossword 9,132 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 12. Please allow 28 days for delivery of prizes.

Name.................................

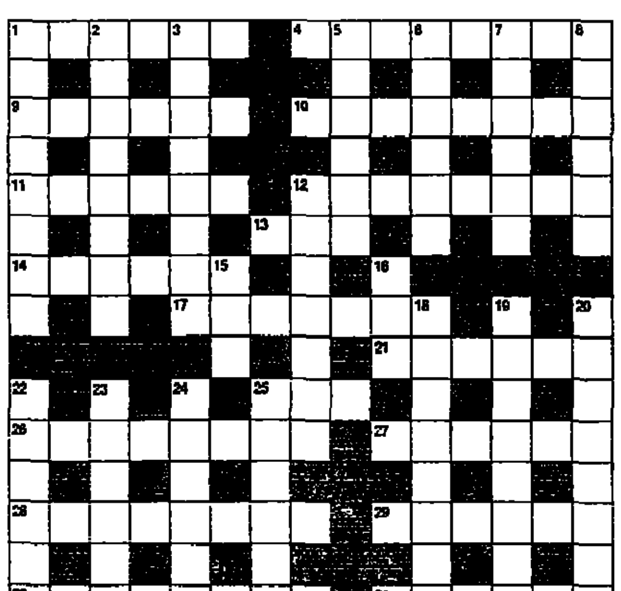
Address.................................

ACROSS

1 Just taking a second to make suggestions (6)
4 During a stroll, girl is likely to be won over (8)
9 It is clear the French will annoy (6)
10 University pair in neat game (5)
11 Racial description Elizabeth Nicholson takes to heart (6)
12 Swirling mist hides the way forward (5)
13 One Italian girl's name (3)
14 Alternate accepted by such poor singers (6)
17 Adopted and raised (5,2)
21 Rialto's broken sewer (8)
25 Cook small fish (3)
26 Cathedral plans include religious education (8)
27 Habits of a wise man in America (6)
28 Not 10 across material (8)
29 Glowing cigar (6)
30 Worn as protection to inspect damaged heads (8)
31 The short answer about foreign capital (6)

DOWN

1 Penalty clause? (8)
2 Not a very strong case for strikers (6)
3 Its population was literally very small (5)
5 Team held by mother to be the tops (6)
6 Close, so ran up to a disturbance (6)
7 A successful one wants a lot more than his rivals (6)
8 They happen to find an opening in two quarters (6)
12 Plainly distressed, but retains composure (2,5)
15 Bottomless container is still a container (3)
16 Refuse to acknowledge a price reduction (3)
18 Visa for cavorting pop-stars (8)
19 Jack may have a flutter, given this (8)
20 Make an unwarrantable intrusion (8)
22 What many, in panic, make themselves (6)
23 Light vessel gets led astray (6)
24 It makes clothes hard to wear (6)
25 Foiled – the trespassers? (6)



Winners 9,120

R. Jennison, Prestwick, Ayrshire
Mrs F.E. Crozier, Taunton, Somerset
R. Davis, Worcester
A.J. Rayment, Isleworth, Middlesex
E.A. Ross, Greenford, Middlesex
A.N. Titchener, Windsor, Berkshire

Solution 9,120

JOTTER PAD